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CURRENT ADVERTISER PRACTICES IN COMPENSATING THEIR ADVERTISING AGENCIES: 1989

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CURRENT ADVERTISER PRACTICES IN COMPENSATING THEIR ADVERTISING AGENCIES: 1989

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CURRENT ADVERTISER PRACTICES IN COMPENSATING THEIR ADVERTISING AGENCIES: 1989

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FOREWORD

The information in the report was obtained by surveying A.N.A. Member Companies on their methods of compensating advertising agencies. As the seventh A.N.A. study on this subject, the report provides the most comprehensive and current information available on compensation arrangements. Both advertisers and advertising agencies can use this report as a meaningful resource in comparing and assessing their individual practices.

The report analyzes four distinct compensation practices—basic, commission, fee and markup—with emphasis on overall trends within each compensation category. The trends are based on comparing the wealth of information from previous A.N.A. studies and serve as an invaluable baseline in measuring and predicting future industry arrangements. Unlike its predecessor, this report is enriched by the addition of a wide array of advertiser opinions on the critical aspects of agency compensation.

On behalf of the A.N.A., I wish to extend my personal appreciation to all respondents who participated in the survey, members of the Advertising Financial Management and Advertising Management Committees, and Bill Weilbacher who helped construct the questionnaire, conducted the analysis and prepared this report. Special thanks are in order to Francine Columbus, Vice President, Chief Financial Officer of Citicorp, POS Information Services, who as an Advertising Financial Management Committee member spearheaded the development of this seventh study. The tabulations were prepared by Oxtoby-Smith, Inc. under the direction of Stuart Lahn.

Appreciation is also extended to fellow A.N.A. staffers who assisted in all aspects of the survey and subsequent publication.

Peter F. Eder
Vice President, Member Services
Association of National Advertisers, Inc.

May, 1989

ABOUT THE AUTHOR

William M. Weilbacher is President of Bismark Corporation, a marketing and advertising consulting firm that he formed in 1979. The work of this firm is concentrated in marketing strategy development; marketing planning; new product development; advertising agency search and compensation; and the evaluation of advertiser-agency relationships. Bismark Corporation specializes in consulting assignments from advertisers.

Weilbacher started his career in the Marketing Research Department of National Biscuit Company in 1951. Weilbacher was with Dancer Fitzgerald Sample, Inc. from 1953 to 1962. He was appointed Vice President, Director of Research in 1958. Weilbacher was with McCaffery and McCall from 1962 to 1966 as Senior Vice President for Marketing Services and Chairman of the Plans Board. From 1966 to 1969, he was with the Interpublic Group of Companies as a partner and Account Management Director of Jack Tinker and Partners. He was Vice President and Director of Research of the J. Walter Thompson Company during 1969-70. He rejoined Dancer Fitzgerald Sample, Inc. in 1971 as Senior Vice President and Account Management Director. He was elected a Director in 1972, Executive Vice President in 1973 and Vice Chairman in 1974.

Weilbacher is a graduate of Yale University and the Graduate School of Business of Columbia University.

Bill is the author of MARKETING MANAGEMENT CASES, originally published in 1970 by the Macmillan Publishing Company. A fourth edition of MARKETING MANAGEMENT CASES was published in 1986. He is the author of ADVERTISING, an introductory textbook, published by Macmillan in 1979. A second edition of ADVERTISING was published in 1984. CASES IN ADVERTISING (Macmillan) and AUDITING PRODUCTIVITY OF ADVERTISER-AGENCY RELATIONSHIPS (Association of National Advertisers) were published in 1981. CHOOSING AN ADVERTISING AGENCY (Crain Books) was published in 1983. CURRENT ADVERTISER PRACTICES IN COMPENSATING ADVERTISING AGENCIES (Association of National Advertisers) was published in 1986.

Weilbacher has served as a member of the Board of Directors of the Broadcast Ratings Council (1963-67); the Advertising Research Foundation (1965-67); and the Audit Bureau of Circulations (1964-70). He has been a member of the Market Research Council since 1960 and President in 1970-71. He has held the rank of Adjunct Professor at the Graduate Schools of Business at Columbia and New York Universities, and at the S. I. Newhouse School, Syracuse University.

TABLE OF CONTENTS

Foreword

Introduction 1

What this report contains and how to find it 1

About the study - highlights 1

Executive Summary 3

Chapter 1 – How Advertisers Compensate Advertising Agencies 5

Advertiser practice 5

Examples of flat commission, less than 15% 6

Examples of sliding scale commissions 6

Trends 7

Comparisons with the tradional 15% commission system 8

Production markups 9

Compensation method by size of advertising budget 9

Chapter 2 – Changes in Agency Compensation Arrangements 11

Why agency compensation method has been changed 11

Effect of changed compensation method on cost of agency service 12

Effect of changed compensation method on agency relationship 12

Chapter 3 – Advertiser Concerns About Agency Compensation Practices 13

The concerned advertiser 13

What concerns do advertisers have about compensation practice 13

Chapter 4 – Characteristics of Current Advertising Agency Compensation Agreements 16

Agency services covered by compensation agreements 16

Unique features of agency compensation agreements 20

Agency incentives in compensation agreements 20

International coverage of compensation agreements 21

Formal contracts or memoranda of agreement for agency compensation plans 22

Audit of agency financial records 22

Administration of agency compensation agreements 22

Review of agency profitability information 22

Estimated sources of agency income 23

Length of time agreement has been in force 23

How out-of-pocket costs are handled 23

Chapter 5 – Agency Fees 24

Basis of fee computations 24

Are agency costs reconciled with fees paid? 24

Renegotiation of fees 24

Components of agency hourly labor rates 25

Agency overhead in relation to direct labor cost 25

Allocation of agency overhead 25

Agency profit computation 25

Components of agency fee income 26

Allocation of agency costs 26

Appendix A – Detailed tables 27

Appendix B – Survey Questionnaire 79

INTRODUCTION

A. What This Report Contains and Where To Find It

This study has been designed to answer five basic questions about how advertisers compensate their advertising agencies.

These questions are:

1. **What is the overall pattern of advertising agency compensation? (Chapter 1)**
   How many companies use each method?
   What are the trends in agency compensation practice?
   What are the characteristics of the companies that use each compensation method?
   How do the actual costs of agency service relate to the 15% commission?
2. **How often and with what effect do advertisers change agency compensation methods? (Chapter 2)**
   Why do they change?
   What effect do changed compensation methods have on the advertising agency relationship?
3. **What concerns do advertisers have about the general subject of advertising agency compensation? (Chapter 3)**
4. **What are the specific characteristics of compensation agreements? (Chapter 4)**
   What services are covered?
   What unique features are incorporated?
   Are incentive arrangements included?
   Is advertiser review of agency expense/profitability included?
   Is provision for international service included?
   Is the agreement formalized by contract?
   What advertiser personnel administer the agreement?
   How are agency out-of-pocket expenses handled?
5. **What are the structures of fee compensation arrangements? (Chapter 5)**

B. About the Study: Highlights

Method: Mail questionnaire to all A.N.A. Members
Questionnaire: See Appendix A
Previous studies: 1968, 1972, 1976, 1979, 1983, 1986
Number of responses: 167 compensation agreemeents representing 307 client-agency relationships
Number of companies responding: 159 (some companies reported on more than one compensation agreement)
Member response rate: 62%
Response rate of top 50 advertisers who are A.N.A. members: 66%
Estimated advertising expenditures of responding companies: $8,500,000,000

Responses by total advertising expenditure:

	A.N.A. Membership	Study Respondents
	%	%
$0 – $4 million	20	16
$5 – 9 million	14	15
$10 – 19 million	16	14
$20 – 49 million	23	28
$50 – 100 million	12	13
$100 million and over	14	14

Key study dates:

11/17/88	First questionnaire mailing
12/12/88	Follow-up mailing
1/3-13/89	Telephone followups clarifying questionnaire answers
1/3-13/89	Telephone followups to stimulate response
1/30/89	Cut-off date for responses

Changes in the 1989 Study

The 1989 questionnaire is a shortened and simplified version of that used in 1986. Care was taken to maintain the form of those questions that are used in trend comparisons. In addition, new open-end questions were added as follow ups to questions on several of the key agency compensation issues.

The result is a report that is more focused on key issues in agency compensation than its predecessors. It is enriched by numerous advertiser quotations expressing a wide range of views on important agency compensation topics. In addition, all of the key data in the study are presented in visual form.

The data generated in the study have been presented in their entirety in Appendix A. Most of the tabulations by advertiser business type and advertising appropriation size found in previous reports have been omitted here because of the relatively small number of respondents in most subgroups.

EXECUTIVE SUMMARY

Patterns of Agency Compensation

1. Thirty-five percent of the reporting advertisers use the traditional 15% media commission method of compensating their advertising agencies—down from 43% in 1986 and 52% in 1983.
2. Twenty-four percent of the companies use a labor-based fee—down from 30% in 1986 and 29% in 1983.
3. Reduced commissions increased in popularity. They are now used by 29% of the respondents —up from 24% in 1986 and 19% in 1983. Commission systems based on a sliding scale commission rate increased from 12% in 1986 to 18% in 1989. The use of flat commissions at a rate of less than 15% did not change significantly between 1986 (12%) and 1989 (11%).
4. The most widely used agency markup on production and other supplier invoices is 17.65%—55% of all companies permit their agencies to use this markup. Almost all the other advertisers require their agencies to mark up such bills by less than 17.65%.
5. Most advertisers with annual budgets of $9 million or less use either the traditional 15% (42%) or the labor-based fee (35%) in compensating their agencies. Advertisers with budgets between $10 and $49 million use one of three systems: traditional 15% (32%), sliding scale (25%) or labor-based fee (25%). Advertisers who spend more than $50 million per year are most likely to use some variant of the commission system: traditional 15% (30%); fixed percentage, less than 15% (25%); or sliding scale commission (25%).

Changes In Agency Compensation

1. Thirty-eight percent of advertisers have changed their agency compensation method in the past three years—up from 26% in both 1986 and 1983.
2. The advertisers who have made a change are now most likely to be using either a fixed commission below 15% or a sliding scale commission.
3. The major reason that advertisers have changed their method of agency compensation is to reduce the cost of agency service (50%); to assure agency profitability (19%) or to provide greater incentive for superior agency performance (9%).
4. Changes in compensation systems have resulted in a reduction in the cost of agency service for many advertisers (47%); an increase in the cost of agency service for some (22%); and no change for others (22%). Nine percent did not respond.
5. Advertisers believe that changes in agency compensation arrangements have not produced a negative or adverse effect on the agency-client relationship.

Advertiser Concerns About Agency Compensation

1. About half of the advertisers (51%) have either a general or specific concern about current advertising agency compensation practices.
2. Advertisers who now use fixed commissions below 15% or labor-based fees are most likely to express a concern about current agency compensation practices.
3. A broad range of concerns about agency compensation practices was expressed by advertisers. The four most frequently mentioned were: how to provide agencies with incentives to produce superior work (28%); general concerns about the whole subject of agency compensation (26%); specific concerns about the commission system (21%); and specific concerns about the labor-based fee system (15%).

Other Study Highlights

1. Some advertisers (22%) believe they have a unique feature or features in their agency compensation system. Most of these unique features refer either to unusual ways of handling agency costs or revenues, or to an unusual method of determining agency profits.
2. Fourteen percent of the compensation agreements contain a provision designed to give the agency an incentive to produce superior performance. Most of these provisions deal with the control or monitoring of agency profits, but do not link this control/monitoring activity specifically to the quality of agency performance. Only four companies report compensation agreements that attempt such a linkage.
3. Two-thirds of the compensation agreements specify that the advertiser may audit agency financial records that relate to its advertising account.
4. Two thirds of the advertisers regularly review agency financial data that relate to the profitability of their advertising account to the agency.

C H A P T E R 1

HOW ADVERTISERS COMPENSATE ADVERTISING AGENCIES

Advertiser practice:

There are three basic systems of advertising agency compensation:

* The traditional 15% commission compensation
* Commission compensation, not 15%
* Labor-based fee arrangements

In 1989, advertiser practice in compensating agencies is divided among these three systems as follows (see Exhibit 1-1; Table 1):

Traditional 15%	35%
Commission, not 15%	29%
Labor-based fees	24%
Other systems, no answer	12%

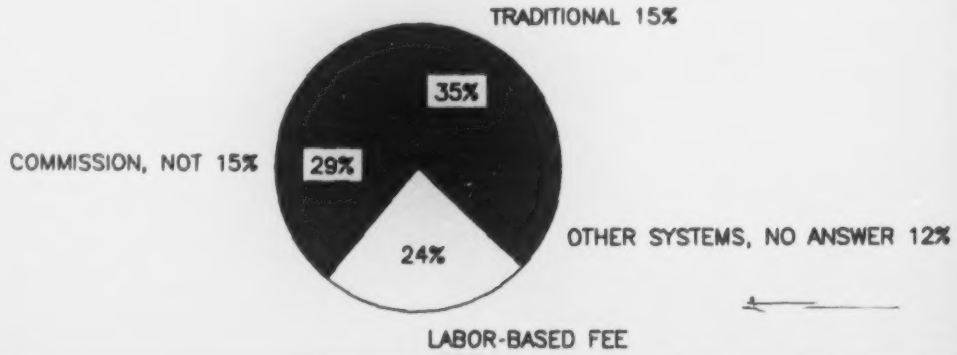
Commissions of less than 15%:

Two distinct practices are used by advertisers who pay a commission but not 15% (see Table 1):

Eleven percent of the respondents compensate agencies at a single percentage rate less than 15%. (No respondent in this study reported a percentage commission in excess of 15%.)

Eighteen percent compensate agencies with a sliding scale of commissions. Usually, in these arrangements, a higher commission rate is used at lower billing levels and the

EXHIBIT 1-1
1989 ADVERTISER PRACTICE IN COMPENSATING ADVERTISER AGENCIES



percentage rate decreases as billings increase. (One advertiser reported the use of an inverted sliding scale - see Example #13, below.)

Examples of a flat commission, less than 15%:

Type of Company	Advertising Billings	Commission Rate
1. Package goods	Over $100 million	10.75%
2. Service	$20 - 49 million	12.5 %
3. Package goods	$50 - 99 million	13.5 %
4. Corporate image	$10 - 19 million	10.0 %
5. Consumer durable	$ 5 - 9 million	14.0 %
6. Service	$50 - 99 million	12.0 %

Examples of sliding scale commissions:

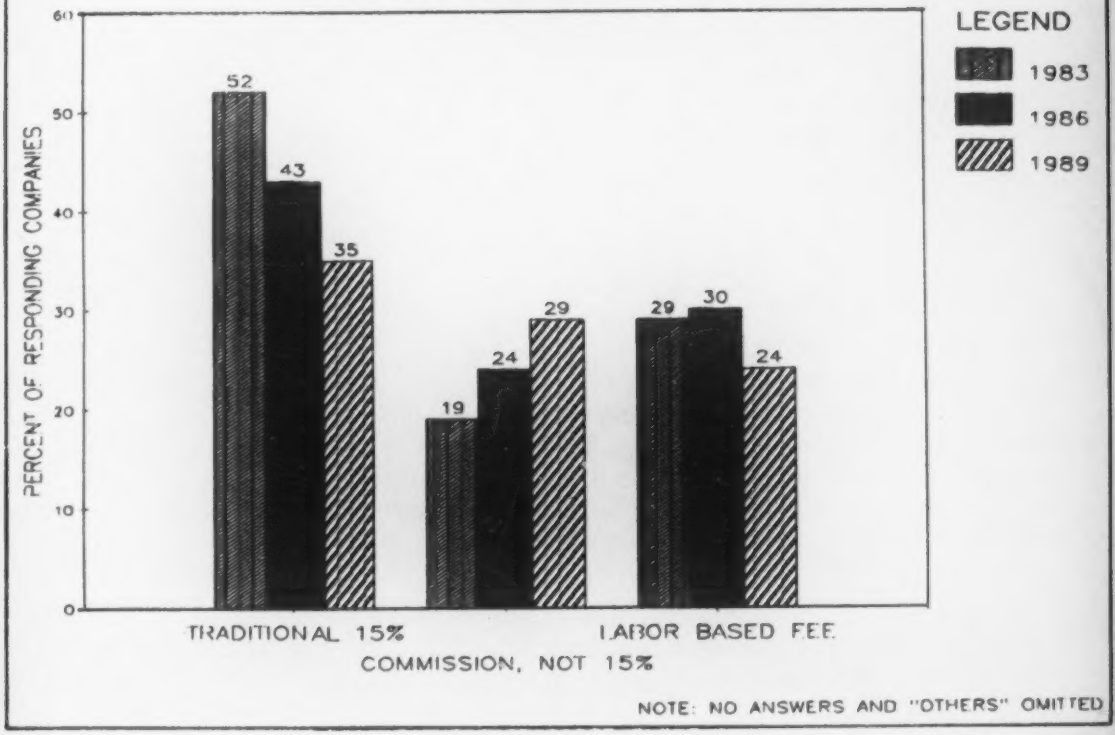
Type of Company	Advertising Billings	Sliding Scale
7. Package goods	$20 - 49 Million	15.0% to $10 M 13.0% $10 - 12 M 9.5% $12 - 30 M 9.0% $30 - 40 M 8.5% $40 - 50 M
8. Package goods	$20 - 49 million	15.0% to $25 M 12.5% over $25 M
9. Corporate image	$20 - 49 million	15.0% to $29 M 14.0% $29 - 34 M 13.2% over $34 M
10. Consumer durable	$ 5 - 9 million	15.0% to $1.25 M 12.5% $1.25 - 2.5 M 10.0% $2.5 - 3.5 M 7.0% over $3.5 M
11. Consumer service	$50 - 99 million	12.5% to $70 M 12.0% $70 - 80 M 11.5% $80 - 100 M
12. Package goods	Over $100 million	15.0% to $5 M 14.5% $5 - 15 M 14.0% $15 - 25 M 13.5% $25 - 50 M 13.0% $50 - 100 M
13. Service	$20 - 49 million	11.0% to $20 M 15.0% over $20 M

The variation in these commission rates suggests a wide variation in advertising service requirements from advertiser to advertiser, as well as significant differences in the profitability, to agencies, of different accounts. Certainly the final implication of these compensation arrangements, both to the advertiser in terms of service and to the agency in terms of profit, depends upon the specific characteristics of particular advertiser-agency relationships.

Trends

There have been significant long-term trends in the popularity of various advertising agency compensation arrangements (see Exhibit 1-2):

EXHIBIT 1-2
TRENDS IN COMPENSATION PRACTICE



The traditional 15% compensation system is declining in popularity:

	% of all compensation arrangements based on the traditional 15%:
1983	52%
1986	43
1989	35

The use of labor-based fees shows some decline:

	% of all compensation arrangements using a labor-based fee:
1983	29%
1986	30
1989	24

There has been a significant growth in compensation arrangements that are based on commission rates of less than 15%:

	% of all compensation arrangements using a commission of less than 15%:
1983	19%
1986	24
1989	29

Sliding scale arrangements have shown greater growth than commissions at less than 15%:

	Sliding scale	Less than 15%
1983	NA	NA
1986	12%	12%
1989	18	11

Comparisons with the traditional 15% commission system:

Companies that do not now use the traditional 15% compensation system were asked whether they periodically calculate the differences between what they pay their agency under their current system with what would have been paid under the straight 15% system (Table 8).

Most of the companies (81%) that use either a labor-based fee or a reduced commission do make such calculations. Among these companies, 70% pay less to their agencies than they would under the straight 15% system, 17% pay more, and 7% pay about the same.

Calculations of Difference In Cost Between 15% Commission System and Alternative Systems

Companies Using Fee or Reduced Commission	**86**
	Percent
Calculate the difference	81%
Do not calculate the difference	17
No answer	2
Companies That Calculate the Difference	**71**
Agency compensation is:	**Percent**
Higher	17%
Lower	70
Same	7
No answer	6

Production markups:

Most of the advertisers in this study who use the commission system (95%) permit their agencies to mark up production bills. (Five percent of the advertisers who use a commission said that they paid no markup on production.) (Table 1A).

The most common production markup is 17.65% of the net amount of the production invoice (or 15% of the net amount of the invoice plus the production markup). Fifty-five percent of the responding companies use the 17.65% markup; 2% pay more than 17.65%, and 35% pay less.

Compensation method by size of advertising budget:

The type of compensation arrangement used by an advertiser depends to an important degree on the amount of money that is spent for advertising.

Advertisers with relatively small budgets ($9 million or less) are most likely to use either the traditional 15% method (42%) or a labor-based fee. (Exhibit 1-3)

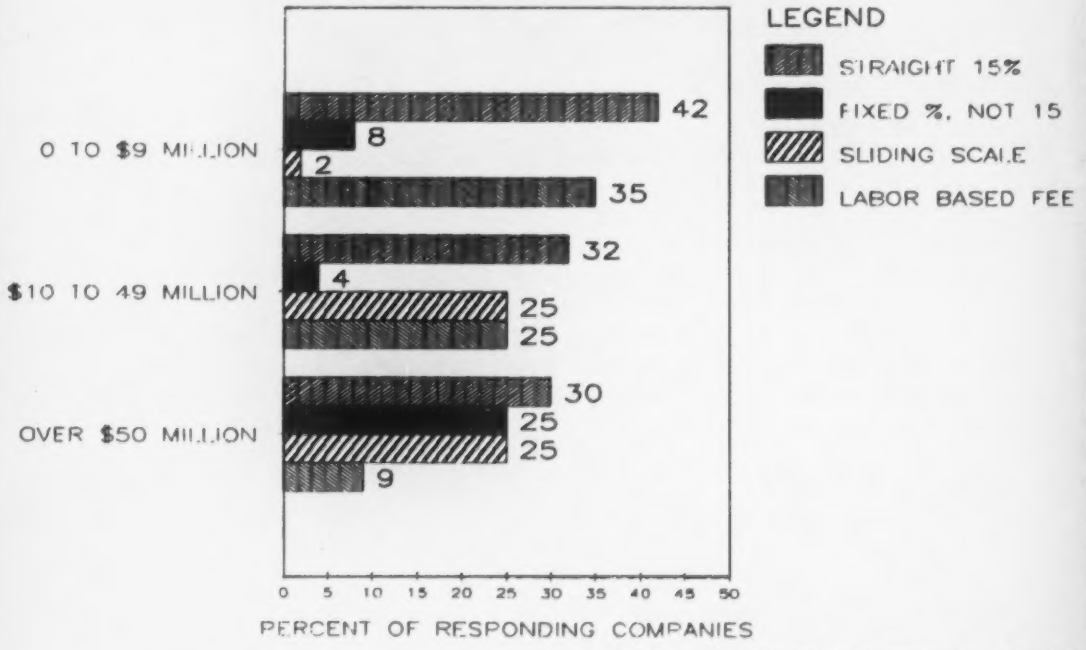
Advertisers in the middle range of budget size ($20 - 49 million) use either the traditional 15% method (32%); a sliding scale commission (25%) or a labor-based fee (also 25%).

Advertisers with large budgets are most likely to use some variation of the commission system (80%). Among the commission variants, such advertisers are about equally likely to use either the traditional 15% (30%); a fixed but reduced commission (25%); or a sliding scale (also 25%).

Compensation method by size of advertising budget:

		Budget Size		
	Total	Small (Up to $9 million)	Medium ($10 to 49 million)	Large (Over $50 million)
All companies	167	52	71	44
	%	%	%	%
Commission:				
Straight 15%	35	42	32	30
Fixed %, not 15	11	8	4	25
Sliding scale	18	2	25	25
Labor-Based Fee:	24	35	25	9
No Answer or Other:	12	13	13	11

EXHIBIT 1-3
ADVERTISING APPROPRIATION SIZE AND COMPENSATING METHODS



NOTE: NO ANSWERS AND "OTHERS" OMITTED

CHANGES IN AGENCY COMPENSATION ARRANGEMENTS

More than one-third (38%) of the companies in this study have made a significant change within the past three years in the method by which they compensate their advertising agencies. This level of change in agency compensation agreements exceeds that reported both in 1983 and in 1986 (26% in both years).

	Percent of all compensation arrangements		
	1989	1986	1983
Have made a significant change in agency compensation in past three years	38%	26%	26%

Advertisers who have recently changed their agency compensation agreements are much less likely to use, in the current arrangement, the traditional 15% method (19%) than they are to use either a lower fixed commission (61%); a sliding scale (50%); or a labor-based fee (40%). (Table 14)

	Percent of all compensation arrangements
Have made a significant change in agency compensation in past three years	38%
Of those respondents with:	**Percent having made significant changes**
Traditional 15%	19%
Fixed %, not 15%	61
Sliding scale	50
Labor-based fee	40

Why Agency Compensation Method Has Been Changed

Companies were asked to indicate the major reason for implementing the change in agency compensation, and these reasons are summarized in the following paragraphs. (Table 14-A)

Cost Savings:

One-half (50%) reported that they changed agency compensation methods in order to reduce the cost of agency service.

Some of these respondents (20%) simply said "to reduce agency cost" or words to that effect:

"To control agency costs." (Package goods, $20-49 million)

"Reduces costs for company." (Corporate image, $50-99 million)

"Better control over costs, especially for new products." (Package goods, $20-49 million)

"Curb escalating agency overhead generated by previous cost-plus system." (Other, $10-19 million)

"Savings to corporation." (Corporate image, $0-49 million)

Another large group (19%) said that they changed the method of agency compensation in order to better control the cost of agency services required by the advertiser:

"To significantly reduce agency manpower in order to streamline advertising development and implementation." (Corporate image, $50-99 million)

"The hourly rate representing all members of the agency team failed to identify real costs and profit levels. The new system more accurately reflects the cost/profit of each assignment." (Consumer durable, $10-19 million)

"Better management of client's staff time and efficiency as well as agency's." (Other, $20-49 million)

"Better control—elimination of duplication of efforts." (Industrial, $0-4 million)

"Client can count on a stable level of service through bad as well as good years." (Package goods, $10-19 million)

Assure agency profitability:

The second most frequently mentioned reason (19%) for amending the agency compensation agreement had to do with insuring the profitability or income stability of the advertiser's agency:

"To assure adequate agency compensation." (Package goods, $100 million +)

"Agency profitability." (Package goods, $50-99 million)

"Agency profits were falling to extremely low levels. Our company had been cutting advertising budgets severely." (Package goods, $10-19 million)

"To protect the agency against the impact of reduced media spending." (Package goods, $5-9 million)

"To provide income stability for agency." (Consumer durable, $10-19 million)

"Lower media budgets had caused the agency to lose money." (Consumer durable, $0-4 million)

"Incorporated fee payments for a temporary period when the brand billings declined significantly." (Package goods, $0-4 million)

"Agency is guaranteed annual income to staff and plan the service of our account in a way that achieves a fair profit." (Package goods, $10-19 million)

To increase agency incentive for superior performance:

In less than one case in ten (9%) was the compensation system changed with the specific purpose of providing the agency greater incentive for superior performance:

"Desire to tie compensation to performance and create incentive to improve performance against realistic goals." (Package goods, $20-49 million)

"Straight commission base was modified to an incentive payment based upon agency's performance. Provides a variable incentive bonus to recognize quality of agency's services." (Package goods, $100 million +)

"Greater incentive for agency to increase profit via increased advertising appropriations." (Consumer durable, $20-49 million)

"We reduced commission 1 to 3% and added to potential of a 3% bonus for outstanding advertising. Focus on gaining superior creative work." (Package goods, $100 million +)

Effect of Changed Compensation Method on Cost of Agency Service

The change in compensation method is more likely to result in a reduction in the cost of agency service (47%) than in an increase (22%) or no change (22%). (Nine percent of the companies did not respond.) (Table 14-B)

Effect of Changed Compensation Method on Agency Relationship

In general, the changes in the compensation agreements do not appear to have had an adverse or negative effect on the agency relationship. (Exhibit 2-4; Table 14-C)

When asked what effect the change in compensation system had on agency performance, more than three out of four companies reported either that the change had improved agency performance (34%) or that there had been no change (43%). A negligible number of companies (5%) reported that agency performance had been poorer after the change. (Eighteen percent of the companies either did not know or did not report what effect the change in compensation had on agency performance.) (Table 14-B)

C H A P T E R 3

ADVERTISER CONCERNS ABOUT AGENCY COMPENSATION PRACTICES

Each responding company was asked to express any general or specific concerns that it holds about current advertising agency compensation practices. About one-half (51%) expressed some concern. The remaining 49% said either that they had no concern or did not answer the question. (Table 28-A)

The Concerned Advertisers

Advertisers who now use the traditional 15% commission system of agency compensation are less likely (31%) to express concern about agency compensation practices than are those who use labor-based fees or reduced commissions (61%). (Table 28-B)

Are the advertisers who use labor-based fees or reduced commissions more sensitive to the issues and pitfalls of agency compensation or have their experiments with alternative compensation methods made them more ready to express concern, or both?

What Concerns Do Advertisers Have About Compensation Practices?

A broad range of concerns is expressed by those advertisers who responded to this question. (Table 28-C)

Four issues received most frequent mention: Concerns relating to how to provide agencies with incentive to produce superior work (28%); general concerns about agency compensation (26%); concerns relating to commission systems (21%); and concerns relating to fee systems (15%).

Here are typical comments from each of these response categories:

Concerns relating to agency incentive:

"I would like to improve ways to reward the agency based upon performance and contribution to the firm." (Service, $10-19 million)

"I feel strongly that I should compensate an agency to cover their cost plus a minimal profit. Beyond that, I would like to provide an incentive based on performance against agreed-upon costs." (Service, $20-49 million)

"Agency compensation should be tied to performance." (Package goods, $0-4 million)

"There is a lack of a meaningful basis to determine agency 'incentives'." (Package goods, $50-99 million)

"Agency compensation is often not tied to performance of their programs." (Package goods, $20-49 million).

"There is no effective method of compensation that gives agencies an incentive to stretch for the 'big idea'." (Package goods, $5-9 million)

"Our current system does not factor in compensation adjustments reflecting quality or productivity of the agency's product." (Consumer durable, $100 million +)

"How do you reward an agency for good business results and penalize them for poor results without alienating the relationship?" (Package goods, $5-9 million)

"A fair method of compensation based upon quantifiable marketplace results is needed." (Other, $20-49 million)

"There is no incentive for results oriented service. I have not yet determined an appropriate measurement of results." (Package goods, $100 million +)

"How to fairly assess the contribution of advertising for use in incentive arrangements?" (Package goods, $20-49 million)

"Need to find a better way to relate compensation and performance." (Package goods, $50-99 million)

"I think we need to develop a better way to reward the agency for their good work; to get them to share in the risks of our business; to provide them with incentives to serve our needs better." (Corporate image, $10-19 million)

General concerns about agency compensation:

"There is a move to more agency charges for areas that were formally a part of basic service. The trend is toward more negotiated services and 'a la carte' arrangements for compensation." (Package goods, $100 million +)

"Compensation arrangements are extremely complicated and should be simplified." (Service, $0-4 million)

"The agency accounting definitions upon which costs, etc. are based are seemingly antiquated." (Consumer durable, $0-4 million)

"Agency managers seem to have limited experience and comfort in pricing discussions. This is in surprising contrast to other creative service suppliers (e.g., PR companies, design companies, Consultants) who negotiate as necessary. Agencies might want to examine training their managers in how to price and also examine approval processes for pricing/contracts. Right now, the only people who seem to make these decisions are the owners/prinicpals, thereby making decisions slow and ponderous as they go up the line and back." (Corporate image, $50-99 million)

"Work loads change from month to month and year to year—agency compensation generally goes up easily but there never seems to be a full rebate." (Industrial, $0-4 million)

"Agencies are overly concerned with generating additional revenue for diversified services. They still need improved methods to track and monitor expenses in order to identify productivity and contribution of various elements of their business." (Consumer durable, $100 million +)

"It is important that the agency mirror the same cost controls/concerns as its client." (Service, $20-49 million)

"As agencies consolidate, is there a shift in policy which denies client access to agency financial information? I think so." (Package goods, $50-99 million)

"In a cost based system the agency is inclined not to control staff time charges to the account, while in a commission arrangement the size of staff is tightly controlled which shows a lack of fiscal responsibility in handling advertiser funds. My concern is that this same attitude may exist in the control of spending the advertiser funds for other purchased services (media, production, etc.)." (Package goods, $100 million +)

"That the compensation method be fair, simple and not generate windfall profits for the agency." (Package goods, $100 million +)

Concerns relating to the commission system:

"Any system using commission as a base is not appropriate. There is no relation between commission and the agency's work effort." (Package goods, $100 million +)

"Agency gets only standardized remuneration (commission) whether their work is average or great. As media budgets rise agency gets more which may or may not relate to real effort." (Industrial, $0-4 million)

"Commission system is anachronistic." (Consumer durable, $50-99 million)

"They are still tied to spending the client's money and not to an agency's ability to perform an advertising task at the lowest cost to the advertiser." (Package goods, $50-99 million)

"If an agency's revenue is based solely on commission, reduction of media budgets (which is not related to agency performance) has a dramatic effect on agency profitability." (Package goods, $100 million +)

"They make a lot of money on media commissions regardless of whether they do much work in the creative, media or research areas. They are not really partners of their client since their compensation depends on practices that may not be in the best interests of their clients." (Package goods, $50-99 million)

"Believe the commission system can lead to a lack of innovation and creativity from agency." (Package goods, $0-4 million)

"Straight commission just not appropriate. We are considering a change to a fee with incentive to be productive as the best arrangement. . . . Compensation arrangement needs accountability built into it." (Other, $20-49 million)

"Income generated by commission is believed to be too high for large-budget brands. A more equitable compensation system is deserved. However, media commission is simple and easy to administer. Any revised system must be almost as easy to control and manage." (Package goods, $50-99 million)

"As media expenditures increase, agency expends very little increase in work load for significant increases in compensation." (Service, $0-4 million)

"Commission is not necessarily in relation to agency services rendered or performed. Commission does not provide the flexibility of paying for only those services needed by advertisers. There is no incentive, in the commission system, for the advertisers to control agency costs." (Package goods, $50-99 million)

"Problems with the 15% method: a) Profit unfairly increased by media inflation; b) Less incentive to improve performance; c) 15% clients fund less profitable accounts." (Package goods, $50-99 million).

Concerns relating to the fee system:

"The general focus of agency compensation discussions concentrates too much on agency costs and profits, rather than on price/value. Cost plus systems inevitably create wastes and inefficiencies. When my company sells a product or a service to a customer the price is based on competitive value. We rarely have the luxury of explaining our cost and profit structure as a rationale for price. The only situation in which this type of pricing occurs is in government contracts, particularly in the defense area. The chronic inefficiency of this system does not have to be elaborated." (Corporate image, $50-99 million)

"Fee based systems guarantee agency a profit: there is no onus on the agency to control overhead." (Package goods, $5-9 million)

"None, if we monitor correctly. Except it is more complicated for accounts receivable and advertising services to control." (Package goods, $20-49 million)

"Concern with how to pay for 'crisis' programs which result from a pressing need to generate good/better campaigns. Extra people pressed into emergency service by agency generate added time costs, extra profit for agency. Almost seems like agency is rewarded for generating less than satisfactory work." (Package goods, $20-49 million)

"Fee/hourly fee method does not recognize the value of one idea (breakthrough) over another (ordinary)." (Industrial, $5-9 million)

"Escalating overhead charges." (Other, $10-19 million)

"New agency and new system (fee) for some brand groups. Will we have the discipline to manage? (In principle) the agency makes a fair profit and we get quality time from quality people for appropriate agency services. We must both be sure not to burn agency hours on things that a) are not aimed at moving business ahead and b) do not take advantage of professional expertise of agency personnel." (Package goods, $10-19 million)

"1) Continued rising costs. 2) Difficulty in managing hours. 3) Cost of creative solutions." (Industrial, $5-9 million)

C H A P T E R 4

CHARACTERISTICS OF CURRENT ADVERTISING AGENCY COMPENSATION AGREEMENTS

A. Agency Services Covered By Compensation Agreement

Each responding company was asked to depict the range of services covered by its agency compensation agreement.

A list of specific agency services was used in this section of the questionnaire including: Account Service/Marketing Counsel and Analysis; Creative Service; Advertising Production; Media Planning; Media Implementation; Broadcast Program Development; Sales Promotion; Public Relations; Direct Response Advertising; Yellow Pages Advertising; New Product Development; and Marketing and Advertising Research.

For each of these kinds of service, the advertiser was asked whether it is required by his or her company and, if required, whether it is covered by the compensation agreement or subject to additional payments. If the service is required but not purchased from the agency, the advertiser was asked whether it is provided in-house or by another, outside service organization.

1. Account service/marketing counsel and analysis

Account service is, as might be expected, almost universally required from advertising agencies. It is required by 99% of the advertisers in this study and is covered in 96% of the compensation agreements. (Exhibit 4-1; Table 2B)

2. Creative service and advertising production

Similarly, creative service is almost universally required (99%) by advertisers and it is covered in 95% of the compensation agreements. Likewise, advertising production is required by all of the advertisers reporting and is covered in 90% of the compensation agreements. (Tables 2A and 2F)

3. Media planning, media implementation and broadcast program development

Media planning is a service that is required in almost every advertising agency relationship (99%), as is media implementation (99%). Media planning is covered in 91% of the compensation agreements and media implementation is covered in 82%.

If media planning is not covered by the compensation agreement, it is provided either in-house (5%) or by another, outside, service (2%).

If media implementation is not covered by the compensation agreement, it is provided in-house (7%) or by an outside service (10%).

Broadcast production is required by about two-thirds (64%) of the advertisers in this study. Fifty percent of the advertisers include broadcast production in their agency compensation agreements. For those advertisers who require the service but do not include it in the basic agency compensation agreement, 4% negotiate additional payments to the agency for the service; 4% provide the service in-house; and 4% receive the service from an outside service. (Tables 2C, 2D and 2E)

EXHIBIT 4-1
SERVICES PROVIDED BY AGENCIES UNDER COMPENSATION AGREEMENTS

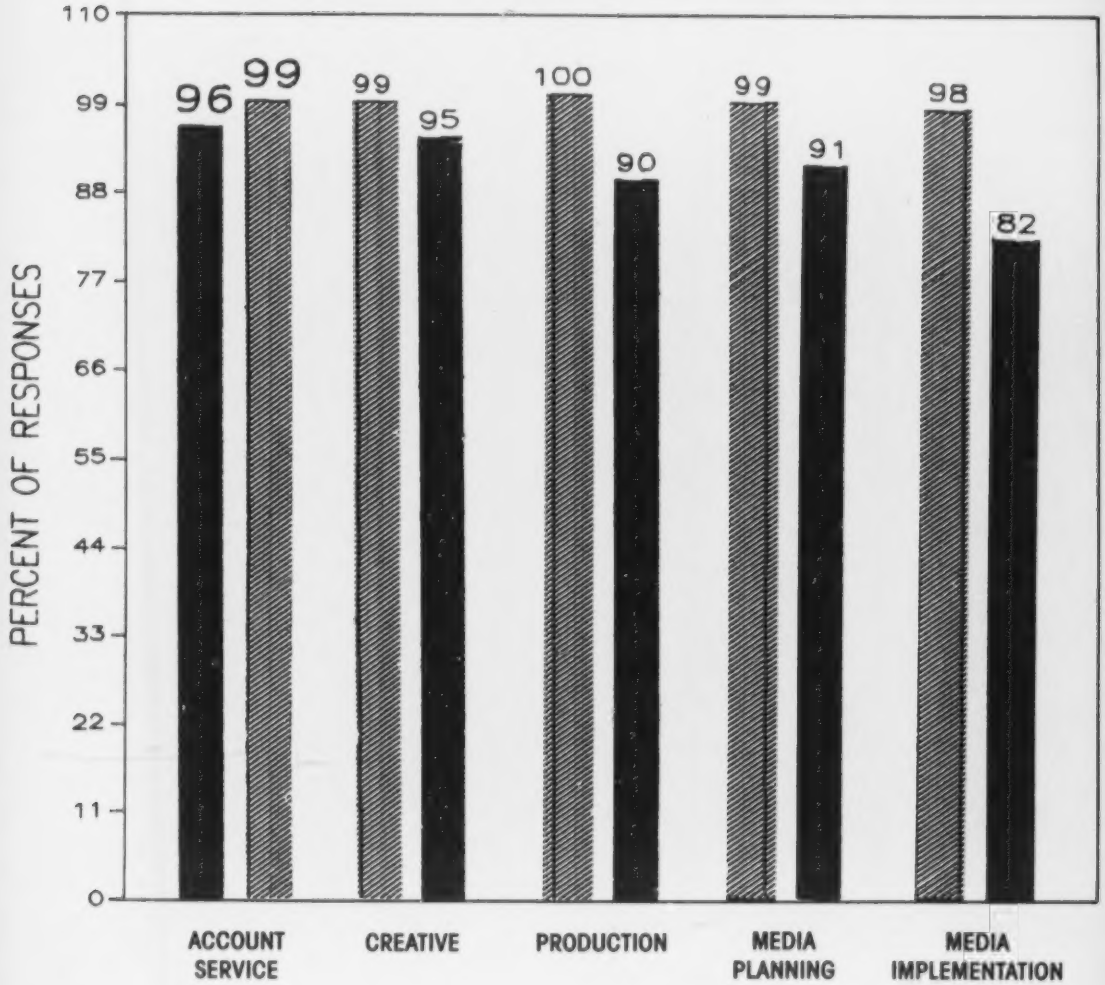
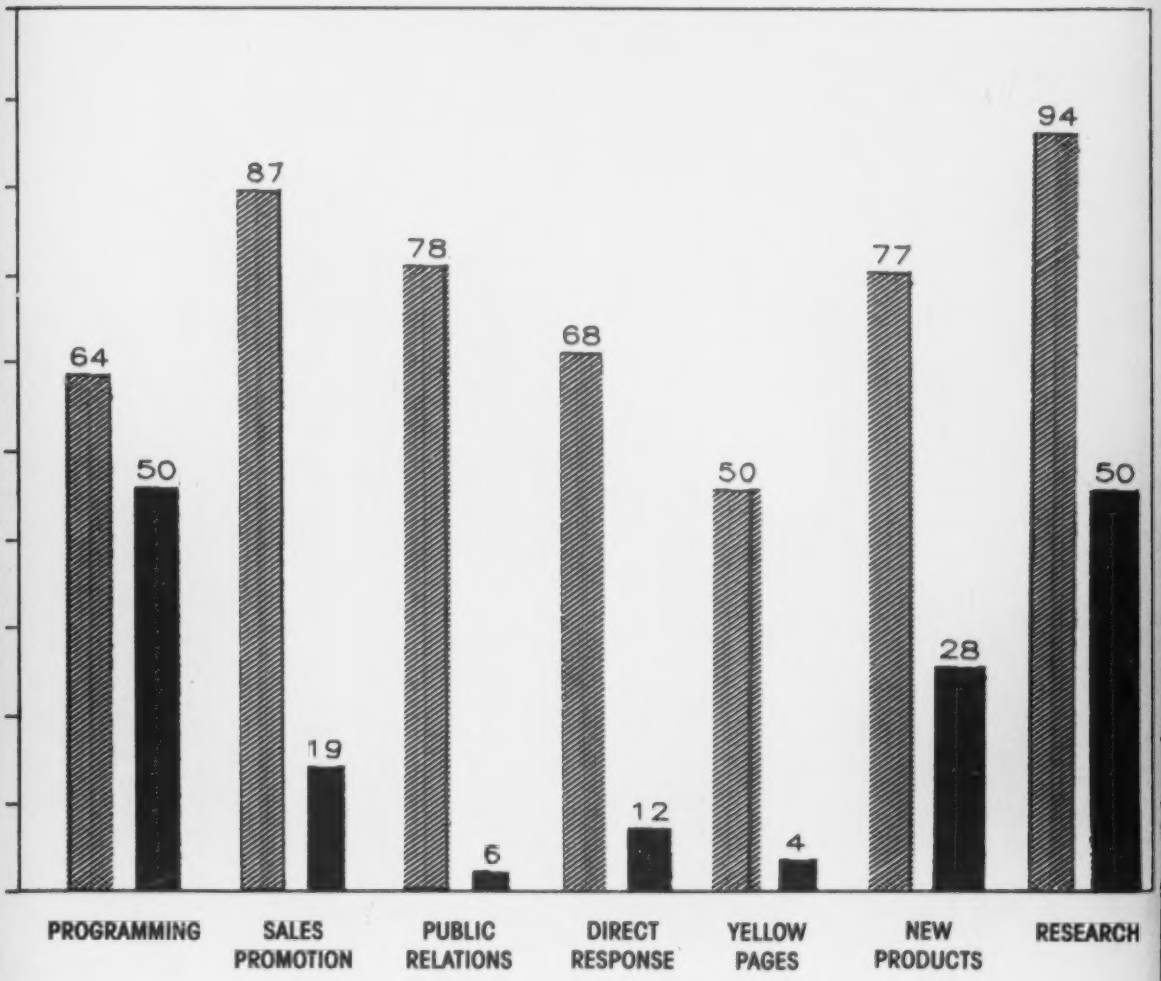


EXHIBIT 4-1
SERVICES PROVIDED BY AGENCIES UNDER COMPENSATION AGREEMENTS



4. Sales promotion, public relations, and direct response advertising

Most advertisers need sales promotion (87%), public relations (78%), and direct response advertising (68%) services. But the majority of advertisers do not include these services in their compensation agreements with their advertising agencies:

	Include service in basic agency compensation agreement
Total respondents	**167**
	Percent
Sales promotion	19%
Public relations	6
Direct response	12

(Tables 2B, 2H and 2I)

Instead, these services are normally provided either in-house or by an outside supplier:

	Service needed but not covered in compensation agreement. Provided:		
	In-house	Outside supplier	Additional payments to agency
Sales promotion	34%	35%	12%
Public relations	35	36	9
Direct response	10	32	14

(Tables 2G, 2H and 2I)

5. Yellow pages advertising, new product development and marketing and advertising research

Half (50%) of the advertisers in this study require yellow pages advertising service; about three quarters (77%) require new product development; and most (94%) need marketing and advertising research.

Yellow pages advertising is covered in 4% of the compensation agreements; new product development in 28%, and marketing and advertising research in 50% of the agreements. (Tables 2J, 2K and 2L)

If the service is needed but not covered in the compensation agreement, it is usually provided either in-house or by an outside supplier, although additional negotiated payments to the agency are also important in the case of new products and research:

	Service needed but not covered in compensation agreement. Provided:		
	In-house	Outside supplier	Additional payments to agency
Yellow pages	8%	25%	7%
New product development	28	6	16
Research	27	20	22

(Tables 2J, 2K and 2L)

B. Unique Features of Agency Compensation Agreements

Twenty-two percent of the responding companies said that their agency compensation arrangements contain a unique feature or features.

Among those companies whose compensation agreements have such a unique feature, the majority mention either that the agreement provides an unusual way of handling agency costs or revenues (32%) or that there is an unusual way of determining agency profits (26%). (Tables 5 and 5A)

Typical comments from each of these reponse categories include:

Unusual way of handling agency costs/revenues

"There is a cap on the indirect expense of the agency." (Industrial, $0-4 million).

"The agency contributes 0.5% of total billings to advertising development research." (Package goods, $100 million +)

"Less than 15% of gross on certain media categories (network television, syndication, cable) and 15% of the **net** on all production costs." (Package goods, $100 million +)

"Compensation is paid in equal installments each month and reconciled at year end to actual billings." (Package goods, $100 million +)

"Two percent commission on media inserts." (Consumer durable, $5-9 million)

"Five percent commission on production. Guarantee by agency to spend 0.5% of media billings on creative research, unspent dollars to be refunded to client. Production jobs are prebilled based on estimate and are reconciled/closed within 6 months of opening the job." (Corporate image, $50-99 million)

Unusual way of determining agency profits

"It is designed to provide a means for the agency to achieve a profit target of 3% of billing for any budget level." (Package goods, $100 million +)

"A guaranteed income floor and a commission ceiling." (Package goods, $50-99 million)

"Guaranteed income. If billings are insufficient to generate the guarantee at 15% commission, we pay agency the difference." (Service, $10-19 million)

"'Safety net' assures agencies of reasonable profits." (Consumer durable, $100 million +)

"Annual review of account profitability." (Package goods, $0-4 million).

"Fixed fee plus 15% media commission on media that exceed the fee amount. Media is placed at net until the total earned commission equals the fee amount. Production at 17.65%." (Service, $0-4 million)

"We guarantee a floor on annual billings—it varies by account." (Consumer durable, $100 million +)

C. Agency Incentives In Compensation Agreements

Most advertising agency compensation agreements do not contain provisions that are designed to provide an incentive to the agency to produce superior work. Fourteen percent of the agreements in this study contain such a provision—one that in the words of the questionnaire "adjusts compensation based on an 'incentive' arrangement (e.g., minimum profit guarantee for agency, shared productivity savings, profit sharing, etc.)". (Tables 4 and 4A)

Most of these plans deal with the control or monitoring of agency profits—they either guarantee profits or set a minimum and/or maximum profit for the agency. Only four plans in this study contain some sort of an incentive program that encourages superior agency work but does not directly control or monitor agency profits.

Descriptions of various plans follow:

Plan includes an incentive provision:

"Incentive bonus (10% or 20%) over base revenues. Bonus is based upon a performance evaluation using a 4-point scale. Highest rating earns 20% bonus, second highest earns 10% bonus." (Package goods, $100 million +)

"A fixed price is paid for each television commercial or print ad produced. Predetermined rates for each type are established every two years. Account service: a negotiated retainer. Media service: 2.5% of annual billing. The piece rate payment for television commercials and print ads provides an incentive to agency to get more creative product produced. As most of the account is corporate image advertising and creative driven, this encourages the agency to keep developing outstanding work that management will want to produce and thus increase agency compensation." (Corporate image, $50-99 million)

"Base commission is increased based on achieving certain levels of performance. No minimum profit is guaranteed and there is no profit sharing." (Package goods, $20-49 million)

"Three percent of billings additional to basic compensation percent based on evaluation of superior creative work." (Package goods, $100 million +)

Agency profit is guaranteed:

"Compensate annually the difference between actual after-tax profit up to 1.5% of billing." (Industrial $0-4 million)

"Minimum profits for agency." (Industrial, $0-4 million)

"Guaranteed profit percent." (Package goods, $20-49 million)

"Agency receives a guaranteed profit payment equal to 3% of media billings." (Package goods, $50-99 million)

"Cost plus profit gives them a minimum profit guarantee." (Package goods, $5-9 million)

"Account profit guaranteed." (Package goods, $20-49 million)

Minimum agency profit is guaranteed and maximum agency profit is limited:

"Minimum and maximum profit over gross billings." (Service, $5-9 million)

"Efficiency Incentive Compensation System (E.I.C.) from BBDO." (Consumer durable, $20-49 million)

"Minimum and maximum profit guarantees. Profit below minimium—additional compensation to agency. Profit above maximum - refund to the company." (Service, $100 million +)

"50/50 share in productivity savings from expenses being less than commissions." (Package goods, $100 million +)

"Agency is guaranteed a profit at 12% of direct labor costs and overhead. If agency exceeds 25% profit, rebates 50% to client. In addition, agency can earn an efficiency bonus based on performance. Bonus is a maximum of 8% of the fee, not to exceed 35% profit." (Package goods, $20-49 million)

"Five percent minimum profit on costs; over 20% shared with client; over 25% returned to client. Audited every year." (Other, $20-49 million)

"Split based on 50/50 up to 3% agency profit; above that split 80/20 - 80% to client." (Consumer durable, $20-49 million)

D. International Coverage of Compensation Agreements

Most agency compensation agreements (78%) do not include agency service outside the United States. Among those agreements that cover international agency service (18%), 5% are multinational in scope; 2% are limited to Canada; and 11% were not described by the companies that said that their agency agreements included international coverage. (No answer—4%) (Table 9)

E. Formal Contracts or Memoranda of Agreement For Agency Compensation Plans

Most agency compensation plans (89%) have been formalized in a contract or memorandum of agreement. The same question was asked in the 1986 study, with the same result—89% of all agreements were covered. (Table 11)

Respondents were asked the term of the agreement. Most companies stated either that the agreement had no term (38%) or gave no answer (19%). Among the agreements with a specific term, one year was most frequent (26%), and terms of other lengths were mentioned by 5% of the respondents. (Table 11-A)

Some companies (38%) also volunteered the notice of termination period specified in their contracts. Ninety days was the notice period most frequently given (29%), and various other periods were mentioned by 8% of the companies.

F. Audit of Agency Financial Records

About two-thirds (67%) of the compensation agreements specify that the financial records of the advertising agency are to be audited by their client. (Table 12-A)

Each company whose agreement permits audit of agency financial records was asked to describe just when such audits take place. In 29% of the cases, the audits were regularly scheduled, either annually (24%) or semiannually (5%).

In the remaining companies (38%), the audits were either unscheduled (25%) or made less frequently than once a year (13%). (Tables 12A and 12B)

G. The Administration of the Agency Compensation Agreement

In most companies (89%), the compensation agreement is administered by either line marketing, corporate marketing/advertising or finance, or jointly by two or more departments. (Table 10)

If this administrative function is carried on by some other organization unit, it is most likely either a divisional advertising or marketing services department (6%) or a media department within the company (1%).

H. Review of Agency Profitability Information

About two-thirds (65%) of the advertisers in this study review financial information with their agencies that reflects the profitability of the account to the agency. (Table 6)

Usually this information is supplied for the entire account (28%), but it may also be supplied by brand (13%) or by operating unit (11%). (Thirteen percent of the companies did not specify the reporting unit for agency profitability information.)

Among those advertisers who do not receive information about the profitability of their agencies (25%), some (5%) have asked for it and been refused by the agency, and 17% have not asked. (No answer - 2%)

I. Estimated Sources of Agency Income

Responding companies were asked to estimate the sources of their agency income as among fees, media commissions and production and other markups. Ninety percent of the responding companies attempted to do this, while 10% reported that they did not know. (Table 7)

There is a wide variation in the percentage of responses allocated among the revenue categories, as Table 7 reveals. When these widely divergent responses are averaged, estimated agency sources of revenue under fee and commission arrangements are:

	Percent of Total Income	
	Fee Arrangment	Commission Arrangement*
Fees	89%	6%
Media commissions	5	80
Markups	3	12
Fees from project work	3	2

*Weighted average of traditional 15%; fixed commission, not 15%; and sliding scales.

J. Length of Time Agreement Has Been In Effect

Each responding company was asked the length of time that the compensation agreement on which it was reporting had been in effect. (Table 13)

	Effective Period
Less than one year	14%
1-3 years	40
4-10 years	19
More than 10 years	23
No answer	4

K. How Out-Of-Pocket Costs Are Handled

The companies were asked to tell how eight out-of-pocket costs associated with advertising agency service were handled under the compensation agreement that is in force.

The cost categories included:

Agency travel when requested or expected by client
Client entertainment
Media measurement services
Unauthorized work initiated by agency
Free-lance and professional help
Out-of-pocket research costs
State and local taxes
Bad debt expense

For each out-of-pocket cost category, the respondent was asked whether expense was billed to the advertiser with or without agency markup or absorbed by the agency. The results of this questioning are presented in Tables 3A, 3B, 3C, 3D, 3E, 3F, 3G, and 3H.

C H A P T E R 5

AGENCY FEES

The final section of the questionnaire deals with agency fees. A series of questions about agency fee charges were directed at two groups of respondents:

* Companies whose agency compensation agreement is totally fee-based, and
* Companies whose agency compensation is commission-based but who pay fees to the agency for special projects or services.

A. Basis of Fee Computation

Advertisers were asked whether the fees they pay are based on a prior estimate of the cost of agency labor plus overhead and profit; a cost-plus arrangement; a fixed fee; or other.

1. Labor-based fee compensation

Most fee system costs (84%) are based on a prior estimate of the cost of agency labor required to service the advertiser plus overhead and profit. (Table 15)

2. Commission-based compensation

Fifty-seven percent of the commission system advertisers who pay additional fees for special projects or services responded to this question. Among these companies, agency fees for project work are more likely to be based upon a prior estimate of labor cost (30%) than upon a fixed fee (14%), a cost-plus or other arrangement (13%). (Table 15)

B. Agency Costs Reconciliation With Fees

Next, advertisers were asked whether the compensation agreement requires a reconciliation of actual agency costs and fees paid to the agency.

1. Labor-based fee compensation

About two-thirds (63%) of the fee advertiser compensation agreements provide for a reconciliation between actual agency costs and the fees paid to the agency. (Table 16)

2. Commission-based compensation

Among the commission advertisers who responded to the question (64%), 34% have a cost/fee paid reconciliation provision in their compensation agreements and 30% do not. (Table 16)

C. Renegotiation of Fees

Advertisers were asked if the compensation agreement allowed for the renegotiation of fees when circumstances warrant.

1. Labor-based fee compensation

All of the fee compensation agreements in this study provide for a renegotiation of fees when circumstances warrant. (Table 17)

2. Commission-based compensation

Among the commission advertisers who answered this question (59%), most (50%) have compensation agreements that provide for the renegotiation of fees when necessary. (Table 17)

D. Components of Agency Hourly Labor Rates

The advertisers were asked if their agency's hourly labor rates included, in addition to direct salary cost, overtime, employee benefit program payments, profit sharing or bonus pool allocation and/or employee deferred compensation.

1. Labor-based fee compensation

Significant numbers of the fee advertisers do not know whether their agency's hourly rates include overtime (34%); employee benefits (37%); profit sharing or bonus (47%); or deferred compensation (58%). Most of the fee advertisers who answered this question reported that agency hourly rates **do** include employee benefits (53%); profit sharing (37%); and deferred compensation (24%), but **do not** include overtime (42%). (Tables 18A, 18B and 18C)

2. Commission-based compensation

At least two-thirds of the commission advertisers do not know whether their agency's hourly rates include overtime (63%); employee benefits (64%); profit sharing (68%); or deferred compensation (75%). (Tables 18A, 18B and 18C)

E. Agency Overhead in Relation to Direct Labor Costs

Advertisers were asked to state agency overhead as a percent of direct labor costs.

1. Labor-based fee compensation

Forty-five per cent of the fee advertisers do not know their agency's overhead rate relative to direct labor costs. Those who did answer the question gave a very broad range of responses. Forty-two percent reported that agency overhead exceeds 90%, and 20% said that it falls between 90 and 120%. (Table 19)

2. Commission-based compensation

Seventy-one percent of the commission advertisers do not know what their agency's overhead is in relation to direct labor cost. Among those that answered, 20% reported agency overhead to exceed 90% and 14% said that it falls between 90% and 120% percent. (Table 19)

F. Allocation of Agency Overhead

Advertisers were asked to state whether agency overhead is allocated on the basis of total direct salary expense or on some other basis.

1. Labor-based fee compensation

Seventy-nine per cent of the fee advertisers reported that their agency's overhead is allocated on the basis of direct salary expense. (Table 20)

2. Commission-based compensation

Fifty-five percent of the commission advertisers do not know how their agency's overhead is allocated. Of those who did respond, 41% said agency overhead is allocated on the basis of direct labor expense. (Table 20)

G. Agency Profit Computation

Advertisers were asked how agency profits are computed when the agency is paid by fee.

1. Labor-based fee compensation

Forty-five per cent of the fee advertisers in this study do not know how agency profit is computed in the fees they pay. Most (42%) of those who did respond said that profits are based on a markup of agency cost, and the rest (13%) say that it is based on a percentage of media billings. (Table 21)

2. Commission-based compensation

Sixty-eight percent of the commission advertisers in this study do not know how agency profit is computed in the fees they pay. Of those responding, most (23%) say that it is computed by markup of agency direct salary expense, rather than as a percentage of media billings. (Table 21)

H. Components of Agency Fee Revenue

Advertisers were asked to estimate the proportion of agency revenue that comes from direct labor, overhead and profit.

1. Labor-based fee compensation

Fifty-five percent of the responding companies provided an estimate of the components of agency fee revenues. On average, these advertisers estimate that 39% of agency revenues come from direct labor cost; 42% from overhead; and 16% from profit. (Note that the overhead/direct labor cost ratio in these average estimates is 108.) (Table 22)

2. Commission-based compensation

Eighty-six percent of the commission advertisers in this study do not know the components of agency fee revenue. (Table 22)

I. Allocation of Agency Costs

Finally, advertisers were asked whether ten specific categories of agency cost were billed to them direct or absorbed in agency overhead. The results of this inquiry are presented in Table 23, as follows:

Account personnel cost — Table 23A
Creative personnel cost — Table 23B
Media personnel cost — Table 23C
Research personnel cost — Table 23D
Traffic personnel cost — Table 23E
Production personnel cost — Table 23F
Client accounting personnel cost — Table 23G
Direct secretarial/clerical support to account group — Table 23H
General executive and administrative personnel cost — Table 23I
Personnel cost of other support individuals and departments — Table 23J

APPENDIX A:
DETAILED TABLES

TABLE 1

Q6--WHICH OF THE FOLLOWING BROADLY DESCRIBES THE COMPENSATION AGREEMENT ABOUT WHICH YOU ARE REPORTING

		-FIXED PERCENTAGE--				NOT			**ADVERTISING EXPENDITURE GROUPS-**						**------BROAD CATEGORY GROUPS----**					
		----COMMISSION-----				FIXED	FEE										CONSU		COR-	
	TOTAL SAMPLE	TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	PRCNT SLDNG SCALE	BASED SYS-TEM	OTHER	$0-4 MIL	$5-9 MIL	$10 TO 19 MIL	$20 TO 49 MIL	$50 TO 99 MIL	OVER $100 MIL	PACK-AGED GOODS	SER-VICE	-MER DUR-ABLE	IN-DUS-TRIAL	PO-RATE IMAGE	OTHER
TOTAL RESPONDENTS	167	80	58	18	4	30	40	3	27	25	24	47	21	23	69	19	16	15	24	20
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
FIXED PERCENTAGE COMMISSION	80	80	58	18	4	*	*	*	15	14	7	20	12	12	29	12	9	8	12	9
	47.9	100.0	100.0	100.0	100.0				55.6	56.0	29.2	42.6	57.1	52.2	42.0	63.2	56.3	53.3	50.0	45.0
15 PERCENT	58	58	58	*	*	*	*	*	11	11	5	18	6	7	18	10	5	7	10	7
	34.7	72.5	100.0						40.7	44.0	20.8	38.3	28.6	30.4	26.1	52.6	31.3	46.7	41.7	35.0
OTHER PERCENTAGE	18	18	*	18	*	*	*	*	1	3	2	1	6	5	10	2	4	*	1	1
	10.8	22.5		100.0					3.7	12.0	8.3	2.1	28.6	21.7	14.5	10.5	25.0		4.2	5.0
NO ANSWER	4	4	*	*	4	*	*	*	3	*	*	1	*	*	1	*	*	1	1	1
	2.4	5.0			100.0				11.1			2.1			1.4			6.7	4.2	5.0
NOT FIXED PERCENTAGE (SLIDING SCALE)	30	*	*	*	*	30	*	*	*	1	2	16	5	6	15	2	4	*	3	6
	18.0					100.0				4.0	8.3	34.0	23.8	26.1	21.7	10.5	25.0		12.5	30.0
FEE BASED SYSTEM	40	*	*	*	*	*	40	*	9	9	10	8	2	2	18	3	3	6	5	3
	24.0						100.0		33.3	36.0	41.7	17.0	9.5	8.7	26.1	15.8	18.8	40.0	20.8	15.0
OTHER	3	*	*	*	*	*	*	3	1	*	1	1	*	*	2	*	*	*	*	1
	1.8							100.0	3.7		4.2	2.1			2.9					5.0
NO ANSWER	14	*	*	*	*	*	*	*	2	1	4	2	2	3	5	2	*	1	4	1
	8.4								7.4	4.0	16.7	4.3	9.5	13.0	7.2	10.5		6.7	16.7	5.0

TABLE 1A

PRODUCTION MARKUPS IN COMMISSION COMPENSATION ARRANGEMENTS

All Responding Companies Using Any Form of Commission:	**110**
	Percent
Production is marked up:	
17.65%	55
More than 17.65%	2
Less than 17.65%	35
No answer	3
Production is not marked up	**5**

TABLE 2A & 2B

Q7--BY CHECKING THE APPROPRIATE BOXES,PLEASE IDENTIFY THE SERVICE YOU RECEIVE FROM YOUR AGENCY AND INDICATE WHETHER THEY ARE INCLUDED IN BASIC COMPENSATION ARRANGEMENT OR PAID BY ADDITIONAL FEES NOT SPECIFIED IN BASIC COMPENSATION AGREEMENT

--CREATIVES SERVICE--

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
SERVICE ISN'T NEEDED	2	2	1	*	1	*	*	*
	1.2	2.5	1.7		25.0			
COVERED BY COMPENSATION AGREEMENTS	159	75	54	18	3	30	39	2
	95.2	93.8	93.1	100.0	75.0	100.0	97.5	66.7
ADDITIONAL NEGOTIATED PAYMENTS NOT PURCHASED FROM AGENCY	3	1	1	*	*	*	1	*
	1.8	1.2	1.7				2.5	
PROVIDED IN-HOUSE	5	2	2	*	*	1	*	1
	3.0	2.5	3.4			3.3		33.3
OTHER OUTSIDE SERVICE	3	1	1	*	*	*	*	1
	1.8	1.2	1.7					33.3
NO ANSWER	*	*	*	*	*	*	*	*

--ACCOUNT SERVICES/MARKETING COUNSEL & ANALYSIS--

TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
SERVICE ISN'T NEEDED	1	1	1	*	*	*	*	*
	0.6	1.2	1.7					
COVERED BY COMPENSATION AGREEMENTS	160	77	56	18	3	30	38	2
	95.8	96.2	96.6	100.0	75.0	100.0	95.0	66.7
ADDITIONAL NEGOTIATED PAYMENTS NOT PURCHASED FROM AGENCY	2	1	1	*	*	*	1	*
	1.2	1.2	1.7				2.5	
PROVIDED IN-HOUSE	4	1	*	*	1	*	1	1
	2.4	1.2			25.0		2.5	33.3
OTHER OUTSIDE SERVICE	*	*	*	*	*	*	*	*
NO ANSWER	*	*	*	*	*	*	*	*

TABLE 2C & 2D

Q7--BY CHECKING THE APPROPRIATE BOXES,PLEASE IDENTIFY THE SERVICE YOU RECEIVE FROM YOUR AGENCY AND INDICATE WHETHER THEY ARE INCLUDED IN BASIC COMPENSATION ARRANGEMENT OR PAID BY ADDITIONAL FEES NOT SPECIFIED IN BASIC COMPENSATION AGREEMENT

--MEDIA PLANNING--

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
SERVICE ISN'T NEEDED	2	1	*	1	*	*	1	*
	1.2	1.2		5.6			2.5	
COVERED BY COMPENSA-TION AGREEMENTS	152	76	57	16	3	29	34	2
	91.0	95.0	98.3	88.9	75.0	96.7	85.0	66.7
ADDITIONAL NEGOTIA-TED PAYMENTS NOT PURCHASED FROM AGENCY	*	*	*	*	*	*	*	*
PROVIDED IN-HOUSE	9	2	*	1	1	1	2	1
	5.4	2.5		5.6	25.0	3.3	5.0	33.3
OTHER OUTSIDE SERVICE	4	2	1	1	*	*	1	*
	2.4	2.5	1.7	5.6			2.5	
NO ANSWER	2	*	*	*	*	*	2	*
	1.2						5.0	

--MEDIA IMPLEMENTATION--

TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
SERVICE ISN'T NEEDED	3	1	*	1	*	*	2	*
	1.8	1.2		5.6			5.0	
COVERED BY COMPENSA-TION AGREEMENTS	137	69	55	11	3	27	29	2
	82.0	86.2	94.8	61.1	75.0	90.0	72.5	66.7
ADDITIONAL NEGOTIA-TED PAYMENTS NOT PURCHASED FROM AGENCY	4	2	*	2	*	*	*	1
	2.4	2.5		11.1				33.3
PROVIDED IN-HOUSE	11	4	*	3	1	2	2	*
	6.6	5.0		16.7	25.0	6.7	5.0	
OTHER OUTSIDE SERVICE	16	7	2	5	*	*	7	1
	9.6	8.8	3.4	27.8			17.5	33.3
NO ANSWER	4	2	1	1	*	1	1	*
	2.4	2.5	1.7	5.6		3.3	2.5	

TABLE 2E & 2F

Q7--BY CHECKING THE APPROPRIATE BOXES,PLEASE IDENTIFY THE SERVICE YOU RECEIVE FROM YOUR AGENCY AND INDICATE WHETHER THEY ARE INCLUDED IN BASIC COMPENSATION ARRANGEMENT OR PAID BY ADDITIONAL FEES NOT SPECIFIED IN BASIC COMPENSATION AGREEMENT

--BROADCAST PROGRAM DEVELOPMENT--

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
SERVICE ISN'T NEEDED	60	28	20	5	3	12	16	1
	35.9	35.0	34.5	27.8	75.0	40.0	40.0	33.3
COVERED BY COMPENSATION AGREEMENTS	84	42	33	9	*	13	20	1
	50.3	52.5	56.9	50.0		43.3	50.0	33.3
ADDITIONAL NEGOTIATED PAYMENTS NOT PURCHASED FROM AGENCY	7	4	2	2	*	1	1	*
	4.2	5.0	3.4	11.1		3.3	2.5	
PROVIDED IN-HOUSE	7	2	*	1	1	2	1	1
	4.2	2.5		5.6	25.0	6.7	2.5	33.3
OTHER OUTSIDE SERVICE	7	5	2	3	*	*	1	*
	4.2	6.3	3.4	16.7			2.5	
NO ANSWER	6	1	1	*	*	2	2	*
	3.6	1.2	1.7			6.7	5.0	

--ADVERTISING PRODUCTION--

TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
SERVICE ISN'T NEEDED	*	*	*	*	*	*	*	*
COVERED BY COMPENSATION AGREEMENTS	150	74	55	17	2	29	33	1
	89.8	92.5	94.8	94.4	50.0	96.7	82.5	33.3
ADDITIONAL NEGOTIATED PAYMENTS NOT PURCHASED FROM AGENCY	15	6	3	1	2	1	6	1
	9.0	7.5	5.2	5.6	50.0	3.3	15.0	33.3
PROVIDED IN-HOUSE	1	*	*	*	*	*	*	*
	0.6							
OTHER OUTSIDE SERVICE	4	*	*	*	*	*	2	1
	2.4						5.0	33.3
NO ANSWER	*	*	*	*	*	*	*	*

TABLE 2G & 2H

Q7--BY CHECKING THE APPROPRIATE BOXES, PLEASE IDENTIFY THE SERVICE YOU RECEIVE FROM YOUR AGENCY AND INDICATE WHETHER THEY ARE INCLUDED IN BASIC COMPENSATION ARRANGEMENT OR PAID BY ADDITIONAL FEES NOT SPECIFIED IN BASIC COMPENSATION AGREEMENT

--SALES PROMOTION--

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** **----COMMISSION-----** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
SERVICE ISN'T NEEDED	21	9	7	2	*	5	4	1
	12.6	11.2	12.1	11.1		16.7	10.0	33.3
COVERED BY COMPENSA-TION AGREEMENTS	31	12	11	1	*	3	14	*
	18.6	15.0	19.0	5.6		10.0	35.0	
ADDITIONAL NEGOTIA-TED PAYMENTS NOT PURCHASED FROM AGENCY	20	12	8	3	1	4	2	1
	12.0	15.0	13.8	16.7	25.0	13.3	5.0	33.3
PROVIDED IN-HOUSE	57	27	17	8	2	16	10	1
	34.1	33.7	29.3	44.4	50.0	53.3	25.0	33.3
OTHER OUTSIDE SERVICE	59	28	19	9	*	9	14	*
	35.3	35.0	32.8	50.0		30.0	35.0	
NO ANSWER	8	5	4	*	1	*	2	*
	4.8	6.3	6.9		25.0		5.0	

--PUBLIC RELATIONS--

TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
SERVICE ISN'T NEEDED	36	16	13	1	2	8	6	1
	21.6	20.0	22.4	5.6	50.0	26.7	15.0	33.3
COVERED BY COMPENSA-TION AGREEMENTS	10	4	3	1	*	*	6	*
	6.0	5.0	5.2	5.6			15.0	
ADDITIONAL NEGOTIA-TED PAYMENTS NOT PURCHASED FROM AGENCY	15	6	4	2	*	5	3	1
	9.0	7.5	6.9	11.1		16.7	7.5	33.3
PROVIDED IN-HOUSE	58	29	16	11	2	13	10	1
	34.7	36.3	27.6	61.1	50.0	43.3	25.0	33.3
OTHER OUTSIDE SERVICE	60	25	19	6	*	11	19	*
	35.9	31.3	32.8	33.3		36.7	47.5	
NO ANSWER	8	5	5	*	*	*	2	*
	4.8	6.3	8.6				5.0	

TABLE 2I & 2J

Q7--BY CHECKING THE APPROPRIATE BOXES,PLEASE IDENTIFY THE SERVICE YOU RECEIVE FROM YOUR AGENCY AND INDICATE WHETHER THEY ARE INCLUDED IN BASIC COMPENSATION ARRANGEMENT OR PAID BY ADDITIONAL FEES NOT SPECIFIED IN BASIC COMPENSATION AGREEMENT

--DIRECT RESPONSE ADVERTISING--

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** TOTAL	**----COMMISSION-----** 15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
SERVICE ISN'T NEEDED	53	22	14	7	1	13	14	1
	31.7	27.5	24.1	38.9	25.0	43.3	35.0	33.3
COVERED BY COMPENSA-TION AGREEMENTS	20	5	4	*	1	5	6	*
	12.0	6.3	6.9		25.0	16.7	15.0	
ADDITIONAL NEGOTIA-TED PAYMENTS NOT PURCHASED FROM AGENCY	24	14	10	3	1	5	3	1
	14.4	17.5	17.2	16.7	25.0	16.7	7.5	33.3
PROVIDED IN-HOUSE	17	8	5	3	*	4	4	1
	10.2	10.0	8.6	16.7		13.3	10.0	33.3
OTHER OUTSIDE SERVICE	53	31	23	7	1	6	12	*
	31.7	38.7	39.7	38.9	25.0	20.0	30.0	
NO ANSWER	10	5	5	*	*	*	3	*
	6.0	6.3	8.6				7.5	

--YELLOW PAGES ADVERTISING--

TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
SERVICE ISN'T NEEDED	84	36	26	8	2	18	22	2
	50.3	45.0	44.8	44.4	50.0	60.0	55.0	66.7
COVERED BY COMPENSA-TION AGREEMENTS	6	1	1	*	*	2	1	*
	3.6	1.2	1.7			6.7	2.5	
ADDITIONAL NEGOTIA-TED PAYMENTS NOT PURCHASED FROM AGENCY	11	4	1	3	*	2	3	1
	6.6	5.0	1.7	16.7		6.7	7.5	33.3
PROVIDED IN-HOUSE	14	9	5	2	2	1	4	*
	8.4	11.2	8.6	11.1	50.0	3.3	10.0	
OTHER OUTSIDE SERVICE	41	25	20	5	*	7	6	*
	24.6	31.3	34.5	27.8		23.3	15.0	
NO ANSWER	15	7	7	*	*	1	5	*
	9.0	8.8	12.1			3.3	12.5	

TABLE 2K & 2L

Q7--BY CHECKING THE APPROPRIATE BOXES,PLEASE IDENTIFY THE SERVICE YOU RECEIVE FROM YOUR AGENCY AND INDICATE WHETHER THEY ARE INCLUDED IN BASIC COMPENSATION ARRANGEMENT OR PAID BY ADDITIONAL FEES NOT SPECIFIED IN BASIC COMPENSATION AGREEMENT

--NEW PRODUCT DEVELOPMENT--

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** **----COMMISSION-----** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
SERVICE ISN'T NEEDED	38	19	15	3	1	4	11	1
	22.8	23.8	25.9	16.7	25.0	13.3	27.5	33.3
COVERED BY COMPENSA-TION AGREEMENTS	46	16	10	6	*	13	12	1
	27.5	20.0	17.2	33.3		43.3	30.0	33.3
ADDITIONAL NEGOTIA-TED PAYMENTS NOT PURCHASED FROM AGENCY	27	14	8	6	*	5	7	*
	16.2	17.5	13.8	33.3		16.7	17.5	
PROVIDED IN-HOUSE	46	24	17	4	3	11	5	1
	27.5	30.0	29.3	22.2	75.0	36.7	12.5	33.3
OTHER OUTSIDE SERVICE	10	4	3	1	*	3	1	*
	6.0	5.0	5.2	5.6		10.0	2.5	
NO ANSWER	12	7	7	*	*	*	4	*
	7.2	8.8	12.1				10.0	

--MARKETING & ADVERTISING RESEARCH--

TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
SERVICE ISN'T NEEDED	10	4	1	3	*	1	4	1
	6.0	5.0	1.7	16.7		3.3	10.0	33.3
COVERED BY COMPENSA-TION AGREEMENTS	83	43	34	7	2	18	18	1
	49.7	53.8	58.6	38.9	50.0	60.0	45.0	33.3
ADDITIONAL NEGOTIA-TED PAYMENTS NOT PURCHASED FROM AGENCY	36	20	16	4	*	5	8	*
	21.6	25.0	27.6	22.2		16.7	20.0	
PROVIDED IN-HOUSE	45	19	12	6	1	13	8	1
	26.9	23.8	20.7	33.3	25.0	43.3	20.0	33.3
OTHER OUTSIDE SERVICE	33	14	10	3	1	5	7	1
	19.8	17.5	17.2	16.7	25.0	16.7	17.5	33.3
NO ANSWER	3	1	*	1	*	*	1	*
	1.8	1.2		5.6			2.5	

TABLE 3A & 3B

Q8--THERE ARE SEVERAL WAYS FOR AGENCIES TO HANDLE OUT-OF-POCKET COSTS RELATED TO DAY-TO-DAY OPERATIONS--THEY MAY BE BILLED TO CLIENTS WITH OR WITHOUT MARKUP,OR THEY MAY BE ABSORBED BY THE AGENCY--HOW ARE THEIR EXPENSES HANDLED UNDER YOUR ARRANGEMENT

--AGENCY TRAVEL WHEN REQUESTED OR EXPECTED BY CLIENT--

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** **----COMMISSION-----** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
BILLED TO ADVERTISER (VENDOR CHARGE, NO MARKUP)	128	56	41	11	4	21	39	3
	76.6	70.0	70.7	61.1	100.0	70.0	97.5	100.0
BILLED TO ADVERTISER (VENDOR CHARGE, PLUS MARKUP)	5	2	2	*	*	1	*	*
	3.0	2.5	3.4			3.3		
NOT BILLED TO ADVERTISER (ABSORBED BY AGENCY)	36	24	17	7	*	10	1	*
	21.6	30.0	29.3	38.9		33.3	2.5	
DON'T KNOW	1	*	*	*	*	*	1	*
	0.6						2.5	
NO ANSWER	6	3	1	2	*	*	1	*
	3.6	3.8	1.7	11.1			2.5	

--CLIENT ENTERTAINMENT--

TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
BILLED TO ADVERTISER (VENDOR CHARGE, NO MARKUP)	28	11	9	2	*	3	10	1
	16.8	13.7	15.5	11.1		10.0	25.0	33.3
BILLED TO ADVERTISER (VENDOR CHARGE, PLUS MARKUP)	*	*	*	*	*	*	*	*
NOT BILLED TO ADVERTISER (ABSORBED BY AGENCY)	132	67	48	15	4	27	28	2
	79.0	83.7	82.8	83.3	100.0	90.0	70.0	66.7
DON'T KNOW	4	2	2	*	*	*	1	*
	2.4	2.5	3.4				2.5	
NO ANSWER	4	1	*	1	*	*	1	*
	2.4	1.2		5.6			2.5	

TABLE 3C & 3D

Q8--THERE ARE SEVERAL WAYS FOR AGENCIES TO HANDLE OUT-OF-POCKET COSTS RELATED TO DAY-TO-DAY OPERATIONS--THEY MAY BE BILLED TO CLIENTS WITH OR WITHOUT MARKUP,OR THEY MAY BE ABSORBED BY THE AGENCY--HOW ARE THEIR EXPENSES HANDLED UNDER YOUR ARRANGEMENT

--MEDIA MEASUREMENT SERVICES--

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
BILLED TO ADVERTISER (VENDOR CHARGE, NO MARKUP)	42	16	12	4	*	8	17	1
	25.1	20.0	20.7	22.2		26.7	42.5	33.3
BILLED TO ADVERTISER (VENDOR CHARGE, PLUS MARKUP)	13	8	8	*	*	2	*	*
	7.8	10.0	13.8			6.7		
NOT BILLED TO ADVERTISER (ABSORBED BY AGENCY)	90	47	34	11	2	21	14	1
	53.9	58.7	58.6	61.1	50.0	70.0	35.0	33.3
DON'T KNOW	11	4	3	*	1	*	6	*
	6.6	5.0	5.2		25.0		15.0	
NO ANSWER	13	6	2	3	1	*	3	1
	7.8	7.5	3.4	16.7	25.0		7.5	33.3

--UNAUTHORIZED WORK INITIATED BY AGENCY--

TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
BILLED TO ADVERTISER (VENDOR CHARGE, NO MARKUP)	1	1	1	*	*	*	*	*
	0.6	1.2	1.7					
BILLED TO ADVERTISER (VENDOR CHARGE, PLUS MARKUP)	3	2	2	*	*	*	1	*
	1.8	2.5	3.4				2.5	
NOT BILLED TO ADVERTISER (ABSORBED BY AGENCY)	141	63	44	16	3	29	37	1
	84.4	78.8	75.9	88.9	75.0	96.7	92.5	33.3
DON'T KNOW	5	3	3	*	*	*	1	*
	3.0	3.8	5.2				2.5	
NO ANSWER	17	11	8	2	1	1	1	2
	10.2	13.7	13.8	11.1	25.0	3.3	2.5	66.7

TABLE 3E & 3F

Q8--THERE ARE SEVERAL WAYS FOR AGENCIES TO HANDLE OUT-OF-POCKET COSTS RELATED TO DAY-TO-DAY OPERATIONS--THEY MAY BE BILLED TO CLIENTS WITH OR WITHOUT MARKUP,OR THEY MAY BE ABSORBED BY THE AGENCY--HOW ARE THEIR EXPENSES HANDLED UNDER YOUR ARRANGEMENT

--FREE-LANCE AND PROFESSIONAL HELP--

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
BILLED TO ADVERTISER (VENDOR CHARGE, NO MARKUP)	42	13	8	4	1	6	20	*
	25.1	16.2	13.8	22.2	25.0	20.0	50.0	
BILLED TO ADVERTISER (VENDOR CHARGE, PLUS MARKUP)	46	23	19	3	1	11	7	2
	27.5	28.8	32.8	16.7	25.0	36.7	17.5	66.7
NOT BILLED TO ADVERTISER (ABSORBED BY AGENCY)	52	31	24	6	1	8	8	*
	31.1	38.7	41.4	33.3	25.0	26.7	20.0	
DON'T KNOW	14	7	6	1	*	3	3	*
	8.4	8.8	10.3	5.6		10.0	7.5	
NO ANSWER	15	8	3	4	1	2	2	1
	9.0	10.0	5.2	22.2	25.0	6.7	5.0	33.3

--OUT-OF-POCKET RESEARCH COSTS--

TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
BILLED TO ADVERTISER (VENDOR CHARGE, NO MARKUP)	84	34	24	7	3	19	25	1
	50.3	42.5	41.4	38.9	75.0	63.3	62.5	33.3
BILLED TO ADVERTISER (VENDOR CHARGE, PLUS MARKUP)	44	27	22	4	1	6	7	*
	26.3	33.7	37.9	22.2	25.0	20.0	17.5	
NOT BILLED TO ADVERTISER (ABSORBED BY AGENCY)	30	20	14	6	*	4	3	*
	18.0	25.0	24.1	33.3		13.3	7.5	
DON'T KNOW	2	*	*	*	*	*	1	1
	1.2						2.5	33.3
NO ANSWER	11	2	*	2	*	2	4	1
	6.6	2.5		11.1		6.7	10.0	33.3

TABLE 3G & 3H

Q8--THERE ARE SEVERAL WAYS FOR AGENCIES TO HANDLE OUT-OF-POCKET COSTS RELATED TO DAY-TO-DAY OPERATIONS--THEY MAY BE BILLED TO CLIENTS WITH OR WITHOUT MARKUP,OR THEY MAY BE ABSORBED BY THE AGENCY--HOW ARE THEIR EXPENSES HANDLED UNDER YOUR ARRANGEMENT

--STATE & LOCAL TAXES--

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
BILLED TO ADVERTISER (VENDOR CHARGE, NO MARKUP)	120	53	38	11	4	24	33	1
	71.9	66.3	65.5	61.1	100.0	80.0	82.5	33.3
BILLED TO ADVERTISER (VENDOR CHARGE, PLUS MARKUP)	7	5	4	1	*	2	*	*
	4.2	6.3	6.9	5.6		6.7		
NOT BILLED TO ADVERTISER (ABSORBED BY AGENCY)	17	11	8	3	*	2	2	*
	10.2	13.7	13.8	16.7		6.7	5.0	
DON'T KNOW	18	10	8	2	*	2	4	1
	10.8	12.5	13.8	11.1		6.7	10.0	33.3
NO ANSWER	5	1	*	1	*	*	1	1
	3.0	1.2		5.6			2.5	33.3

--BAD DEBT EXPENSE--

TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
BILLED TO ADVERTISER (VENDOR CHARGE, NO MARKUP)	3	2	2	*	*	*	1	*
	1.8	2.5	3.4				2.5	
BILLED TO ADVERTISER (VENDOR CHARGE, PLUS MARKUP)	2	2	1	1	*	*	*	*
	1.2	2.5	1.7	5.6				
NOT BILLED TO ADVERTISER (ABSORBED BY AGENCY)	79	36	25	9	2	15	19	*
	47.3	45.0	43.1	50.0	50.0	50.0	47.5	
DON'T KNOW	69	35	28	7	*	15	15	1
	41.3	43.8	48.3	38.9		50.0	37.5	33.3
NO ANSWER	14	5	2	1	2	*	5	2
	8.4	6.3	3.4	5.6	50.0		12.5	66.7

TABLE 4

Q9--DO YOU ADJUST COMPENSATION BASED ON "INCENTIVE" ARRANGEMENT (E.G. MINIMUM PROFIT GUARANTEES FOR AGENCY,SHARED PRODUCTIVITY SAVINGS,PROFIT SHARING,ETC.)

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** **----COMMISSION-----** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
YES	24	8	4	2	2	2	8	2
	14.4	10.0	6.9	11.1	50.0	6.7	20.0	66.7
NO	137	69	52	15	2	28	31	1
	82.0	86.2	89.7	83.3	50.0	93.3	77.5	33.3
NO ANSWER	6	3	2	1	*	*	1	*
	3.6	3.8	3.4	5.6			2.5	

TABLE 4A

Q. 9 DO YOU ADJUST COMPENSATION BASED ON AN "INCENTIVE" ARRANGEMENT (E.G., MINIMUM PROFIT GUARANTEES FOR SHARED PRODUCTIVITY SAVINGS, PROFIT SHARING, ETC.?)

IF "YES", PLEASE DESCRIBE

All responding companies	**24***
	Percent
Incentive plan	17
Guaranteed agency profit	29
Minimum/maximum agency profit	33
Maximum agency profit	8
Guaranteed agency revenue	4
All other single mentions	13

*Small base; some respondents gave more than one answer

TABLE 5

Q10--DOES YOUR COMPENSATION SYSTEM HAVE ANY OTHER FEATURES THAT MAKE IT UNIQUE

TOTAL SAMPLE	**-FIXED PERCENTAGE--** **----COMMISSION-----** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
167	80	58	18	4	30	40	3
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
36	23	16	6	1	6	4	1
21.6	28.8	27.6	33.3	25.0	20.0	10.0	33.3
126	56	42	11	3	24	35	2
75.4	70.0	72.4	61.1	75.0	80.0	87.5	66.7
5	1	*	1	*	*	1	*
3.0	1.2		5.6			2.5	

TABLE 5A

Q. 10 DOES YOUR COMPENSATION SYSTEM HAVE ANY OTHER FEATURES THAT MAKE IT UNIQUE?

IF "YES", PLEASE DESCRIBE THOSE FEATURES

All responding companies	**36***
	Percent
There is an unusual way of handling agency costs	33
There is an unusual way of handling, regulating, or guaranteeing agency profits	28
Agency performs unusual services for advertiser	17
Agency compensation depends upon performance	14
Total agency compensation is computed in an unusual way	8
All other single mentions	8

*Small base; some respondents gave more than one answer

TABLE 6

Q11--DOES YOUR ADVERTISING AGENCY REVIEW FINANCIAL INFORMATION WITH YOU CONCERNING THE PROFITABILITY OF YOUR ACCOUNT

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
YES--	108	52	37	13	2	17	26	2
	64.7	65.0	63.8	72.2	50.0	56.7	65.0	66.7
BY BRAND	21	9	8	1	*	4	7	*
	12.6	11.2	13.8	5.6		13.3	17.5	
BY OPERATING UNIT	19	11	8	2	1	1	4	*
	11.4	13.7	13.8	11.1	25.0	3.3	10.0	
TOTAL ACCOUNT	47	22	15	6	1	8	10	1
	28.1	27.5	25.9	33.3	25.0	26.7	25.0	33.3
NO ANSWER	21	10	6	4	*	4	5	1
	12.6	12.5	10.3	22.2		13.3	12.5	33.3
NO--	41	20	16	3	1	9	11	*
HAVE YOU ASKED FOR THIS INFORMATION	24.6	25.0	27.6	16.7	25.0	30.0	27.5	
YES	9	4	3	1	*	1	4	*
	5.4	5.0	5.2	5.6		3.3	10.0	
NO	28	15	12	2	1	6	7	*
	16.8	18.8	20.7	11.1	25.0	20.0	17.5	
NO ANSWER	4	1	1	*	*	2	*	*
	2.4	1.2	1.7			6.7		
WE HAVE MORE THAN ONE AGENCY--SOME REVIEW SUCH DATA WITH US/SOME DO NOT	13	5	4	1	*	4	3	*
	7.8	6.3	6.9	5.6		13.3	7.5	
NO ANSWER	7	3	1	1	1	*	1	1
	4.2	3.8	1.7	5.6	25.0		2.5	33.3

TABLE 7A

Q12--PLEASE ESTIMATE,IF YOU CAN,THE PROPORTION OF AGENCY REVENUE FROM YOUR ACCOUNT THAT COMES FROM THE FOLLOWING SOURCES--

--FEES--

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** TOTAL	**----COMMISSION-----** 15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	167 100.0	80 100.0	58 100.0	18 100.0	4 100.0	30 100.0	40 100.0	3 100.0
0	72 43.1	48 60.0	34 58.6	12 66.7	2 50.0	19 63.3	1 2.5	*
1-4	7 4.2	6 7.5	4 6.9	2 11.1	*	1 3.3	*	*
5	8 4.8	7 8.8	6 10.3	1 5.6	*	1 3.3	*	*
6-9	1 0.6	*	*	*	*	1 3.3	*	*
10	4 2.4	1 1.2	1 1.7	*	*	3 10.0	*	*
11-19	*	*	*	*	*	*	*	*
20	3 1.8	2 2.5	1 1.7	1 5.6	*	*	*	*
21-49	3 1.8	1 1.2	*	1 5.6	*	*	2 5.0	*
50	*	*	*	*	*	*	*	*
51-59	*	*	*	*	*	*	*	*
60	*	*	*	*	*	*	*	*
61-69	1 0.6	1 1.2	1 1.7	*	*	*	*	*
70	1 0.6	1 1.2	1 1.7	*	*	*	*	*
71-79	2 1.2	*	*	*	*	*	1 2.5	*
80	5 3.0	*	*	*	*	*	3 7.5	*
81-89	2 1.2	*	*	*	*	1 3.3	*	1 33.3
90	4 2.4	1 1.2	*	*	1 25.0	*	3 7.5	*
91-99	4 2.4	*	*	*	*	*	3 7.5	1 33.3
100	24 14.4	*	*	*	*	1 3.3	21 52.5	*
NO ANSWER	26 15.6	12 15.0	10 17.2	1 5.6	1 25.0	3 10.0	6 15.0	1 33.3
MEAN	30.00	5.37	4.27	4.12	30.00	8.37	86.69	90.00

TABLE 7B

Q12--PLEASE ESTIMATE,IF YOU CAN,THE PROPORTION OF AGENCY REVENUE FROM YOUR ACCOUNT THAT COMES FROM THE FOLLOWING SOURCES--

--MEDIA COMMISSIONS--

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	167 100.0	80 100.0	58 100.0	18 100.0	4 100.0	30 100.0	40 100.0	3 100.0
0	39 23.4	2 2.5	*	*	2 50.0	1 3.3	32 80.0	*
1-9	2 1.2	*	*	*	*	*	*	2 66.7
10	*	*	*	*	*	*	*	*
11-19	4 2.4	2 2.5	2 3.4	*	*	1 3.3	1 2.5	*
20	*	*	*	*	*	*	*	*
21-29	1 0.6	*	*	*	*	*	*	*
30	1 0.6	1 1.2	1 1.7	*	*	*	*	*
31-49	*	*	*	*	*	*	*	*
50	1 0.6	1 1.2	1 1.7	*	*	*	*	*
51-69	3 1.8	2 2.5	1 1.7	1 5.6	*	*	1 2.5	*
70	6 3.6	3 3.8	3 5.2	*	*	2 6.7	*	*
71-79	4 2.4	3 3.8	1 1.7	2 11.1	*	*	*	*
80	18 10.8	12 15.0	8 13.8	4 22.2	*	3 10.0	*	*
81-89	27 16.2	20 25.0	14 24.1	6 33.3	*	7 23.3	*	*
90	24 14.4	16 20.0	12 20.7	4 22.2	*	8 26.7	*	*
91-99	9 5.4	5 6.3	5 8.6	*	*	4 13.3	*	*
100	3 1.8	1 1.2	*	*	1 25.0	1 3.3	1 2.5	*
NO ANSWER	25 15.0	12 15.0	10 17.2	1 5.6	1 25.0	3 10.0	5 12.5	1 33.3
MEAN	57.31	78.63	80.17	82.29	33.33	80.96	5.17	7.00

TABLE 7C

Q12--PLEASE ESTIMATE,IF YOU CAN,THE PROPORTION OF AGENCY REVENUE FROM YOUR ACCOUNT THAT COMES FROM THE FOLLOWING SOURCES--

--MARKUPS ON PRODUCTION AND OTHER SUPPLIER BILLS

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** TOTAL	**----COMMISSION-----** 15 PRCNT	OTHER PRCNT	NO ANSWR	HOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
0	42	5	3	*	2	5	27	1
	25.1	6.3	5.2		50.0	16.7	67.5	33.3
1-4	2	1	1	*	*	1	*	*
	1.2	1.2	1.7			3.3		
5	10	6	4	2	*	1	2	1
	6.0	7.5	6.9	11.1		3.3	5.0	33.3
6	*	*	*	*	*	*	*	*
7	2	2	1	1	*	*	*	*
	1.2	2.5	1.7	5.6				
8	2	1	1	*	*	1	*	*
	1.2	1.2	1.7			3.3		
9	4	3	2	1	*	1	*	*
	2.4	3.8	3.4	5.6		3.3		
10	35	19	15	4	*	10	4	*
	21.0	23.8	25.9	22.2		33.3	10.0	
11-14	2	2	1	1	*	*	*	*
	1.2	2.5	1.7	5.6				
15	19	13	8	5	*	5	1	*
	11.4	16.2	13.8	27.8		16.7	2.5	
16-19	3	3	2	1	*	*	*	*
	1.8	3.8	3.4	5.6				
20	15	8	6	2	*	3	1	*
	9.0	10.0	10.3	11.1		10.0	2.5	
21-24	*	*	*	*	*	*	*	*
25	3	3	3	*	*	*	*	*
	1.8	3.8	5.2					
26-29	*	*	*	*	*	*	*	*
30	2	1	1	*	*	*	*	*
	1.2	1.2	1.7					
31-99	*	*	*	*	*	*	*	*
100	1	1	*	*	1	*	*	*
	0.6	1.2			25.0			
NO ANSWER	25	12	10	1	1	3	5	1
	15.0	15.0	17.2	5.6	25.0	10.0	12.5	33.3
MEAN	9.64	13.35	12.42	12.47	33.33	9.67	2.43	2.50

TABLE 7D

Q12--PLEASE ESTIMATE, IF YOU CAN, THE PROPORTION OF AGENCY REVENUE FROM YOUR ACCOUNT THAT COMES FROM THE FOLLOWING SOURCES--

--FEE INCOME FROM PROJECT WORK/WORK UNRELATED TO MEDIA COMMISS

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** **----COMMISSION-----** TOTAL	15 PRCNT	OTHER PRCNT	**NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	167 100.0	80 100.0	58 100.0	18 100.0	4 100.0	30 100.0	40 100.0	3 100.0
0	113 67.7	52 65.0	37 63.8	13 72.2	2 50.0	23 76.7	30 75.0	1 33.3
1	3 1.8	2 2.5	2 3.4	*	*	*	*	1 33.3
2	2 1.2	2 2.5	2 3.4	*	*	*	*	*
3	2 1.2	2 2.5	1 1.7	1 5.6	*	*	*	*
4	*	*	*	*	*	*	*	*
5	9 5.4	5 6.3	3 5.2	2 11.1	*	1 3.3	2 5.0	*
6	2 1.2	1 1.2	*	1 5.6	*	1 3.3	*	*
7	*	*	*	*	*	*	*	*
8	*	*	*	*	*	*	*	*
9	*	*	*	*	*	*	*	*
10	7 4.2	2 2.5	1 1.7	*	1 25.0	1 3.3	2 5.0	*
11-14	*	*	*	*	*	*	*	*
15	*	*	*	*	*	*	*	*
16-19	1 0.6	*	*	*	*	1 3.3	*	*
20	1 0.6	1 1.2	1 1.7	*	*	*	*	*
21-24	*	*	*	*	*	*	*	*
25	1 0.6	1 1.2	1 1.7	*	*	*	*	*
26-69	*	*	*	*	*	*	*	*
70	1 0.6	*	*	*	*	*	1 2.5	*
NO ANSWER	25 15.0	12 15.0	10 17.2	1 5.6	1 25.0	3 10.0	5 12.5	1 33.3
MEAN	1.91	1.59	1.65	1.12	3.33	1.37	2.86	0.50

TABLE 7E

Q12--PLEASE ESTIMATE,IF YOU CAN,THE PROPORTION OF AGENCY REVENUE FROM YOUR ACCOUNT THAT COMES FROM THE FOLLOWING SOURCES--

--DON'T KNOW--

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** TOTAL	**----COMMISSION-----** 15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
DON'T KNOW AGENCY REVENUE	17	9	8	*	1	2	4	*
	10.2	11.2	13.8		25.0	6.7	10.0	

TABLE 7F

Q12--PLEASE ESTIMATE,IF YOU CAN,THE PROPORTION OF AGENCY REVENUE FROM YOUR ACCOUNT THAT COMES FROM THE FOLLOWING SOURCES--

--NO ANSWER--

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** TOTAL	**----COMMISSION-----** 15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
NO ANSWER TO ENTIRE QUESTION	8	3	2	1	*	1	1	1
	4.8	3.8	3.4	5.6		3.3	2.5	33.3

TABLE 8

Q13--DO YOU PERIODICALLY CALCULATE THE DIFFERENCE PAID BETWEEN YOUR COMPENSATION ARRANGEMENT AND A STRAIGHT 15 PERCENT MEDIA COMMISSION

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** **----COMMISSION-----** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
YES,CALCULATE FEE	91	26	10	15	1	21	35	3
	54.5	32.5	17.2	83.3	25.0	70.0	87.5	100.0
HIGHER	17	4	3	1	*	1	10	*
	10.2	5.0	5.2	5.6		3.3	25.0	
LOWER	59	17	3	13	1	18	19	1
	35.3	21.3	5.2	72.2	25.0	60.0	47.5	33.3
ABOUT EQUAL	8	3	2	1	*	*	4	1
	4.8	3.8	3.4	5.6			10.0	33.3
NO ANSWER	7	2	2	*	*	2	2	1
	4.2	2.5	3.4			6.7	5.0	33.3
NO, DON'T CALCULATE FEE	71	52	47	2	3	9	4	*
	42.5	65.0	81.0	11.1	75.0	30.0	10.0	
NO ANSWER	5	2	1	1	*	*	1	*
	3.0	2.5	1.7	5.6			2.5	

TABLE 9

Q14--DOES YOUR COMPENSATION ARRANGEMENT COVER INTERNATIONAL REQUIREMENTS

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** **----COMMISSION-----** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
YES	30	15	13	2	*	3	9	*
	18.0	18.8	22.4	11.1		10.0	22.5	
NO	131	62	43	15	4	27	30	3
	78.4	77.5	74.1	83.3	100.0	90.0	75.0	100.0
NO ANSWER	6	3	2	1	*	*	1	*
	3.6	3.8	3.4	5.6			2.5	

TABLE 10

Q15--WHO IS RESPONSIBLE FOR MANAGING THE AGENCY COMPENSATION ARRANGEMENTS

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
LINE MARKETING	31	13	8	4	1	7	7	1
	18.6	16.2	13.8	22.2	25.0	23.3	17.5	33.3
CORPORATE MARKETING/ ADVERTISING	4	2	2	*	*	*	2	*
	2.4	2.5	3.4				5.0	
FINANCE	133	70	52	15	3	22	29	2
	79.6	87.5	89.7	83.3	75.0	73.3	72.5	66.7
OTHER	11	3	2	1	*	3	4	*
	6.6	3.8	3.4	5.6		10.0	10.0	
NO ANSWER	7	2	1	1	*	2	1	*
	4.2	2.5	1.7	5.6		6.7	2.5	

TABLE 11

Q16--DO YOU HAVE A FORMAL CONTRACT OR MEMORANDUM OF AGREEMENT WITH THE ADVERTISING AGENCY COVERED UNDER THE COMPENSATION AGREEMENT YOU HAVE DESCRIBED

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** **----COMMISSION-----** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
YES	148	69	50	16	3	28	36	3
	88.6	86.2	86.2	88.9	75.0	93.3	90.0	100.0
NO	15	10	8	1	1	2	3	*
	9.0	12.5	13.8	5.6	25.0	6.7	7.5	
NO ANSWER	4	1	*	1	*	*	1	*
	2.4	1.2		5.6			2.5	

TABLE 11A

Q. 16 DO YOU HAVE A FORMAL CONTRACT OR MEMORANDUM OF AGREEMENT WITH THE ADVERTISING AGENCY OR AGENCIES COVERED UNDER THE COMPENSATION AGREEMENT YOU HAVE DESCRIBED ABOVE?

IF "YES", WHAT IS THE TERM OF THAT AGREEMENT?

All responding companies	67
	Percent
Annual	26
Other term	5
No term/"evergreen"	38
No answer	22
No formal contract	9

TABLE 12

Q. 17 DOES YOUR COMPANY SEND AUDITORS TO YOUR AGENCY (OR AGENCIES) TO EXAMINE THE FINANCIAL RECORDS PERTAINING TO YOUR ACCOUNT?

IF "YES", HOW OFTEN?

All responding companies	**167**
	Percent
Annually	24
Semiannually	5
Irregularly	25
Less often than once a year	13

TABLE 12A

Q17--DOES YOUR COMPANY SEND AUDITORS TO YOUR AGENCY TO EXAMINE THE FINANCIAL RECORDS PERTAINING TO YOUR ACCOUNT

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
YES--	112	49	37	11	1	22	28	2
	67.1	61.2	63.8	61.1	25.0	73.3	70.0	66.7
ANNUALLY	40	16	11	5	*	4	14	1
	24.0	20.0	19.0	27.8		13.3	35.0	33.3
SEMI-ANNUALLY	9	5	4	1	*	3	1	*
	5.4	6.3	6.9	5.6		10.0	2.5	
OTHER	53	23	18	5	*	13	12	1
	31.7	28.8	31.0	27.8		43.3	30.0	33.3
NO ANSWER	10	5	4	*	1	2	1	*
	6.0	6.3	6.9		25.0	6.7	2.5	
WHO CONDUCTS SUCH AUDIT--								
COMPANY'S INTERNAL AUDITOR	86	41	32	8	1	17	20	2
	51.5	51.3	55.2	44.4	25.0	56.7	50.0	66.7
ADVERTISING DEPART -MENT PERSONNEL	4	3	2	1	*	*	1	*
	2.4	3.8	3.4	5.6			2.5	
PUBLIC ACCOUNTANTS	6	2	1	1	*	*	4	*
	3.6	2.5	1.7	5.6			10.0	
OTHER	1	*	*	*	*	1	*	*
	0.6					3.3		
NO ANSWER	15	3	2	1	*	4	3	*
	9.0	3.8	3.4	5.6		13.3	7.5	
NO	50	29	21	5	3	8	11	1
	29.9	36.3	36.2	27.8	75.0	26.7	27.5	33.3
NO ANSWER	5	2	*	2	*	*	1	*
	3.0	2.5		11.1			2.5	

TABLE 12B

Q17--DOES YOUR COMPANY SEND AUDITORS TO YOUR AGENCY TO EXAMINE THE FINANCIAL RECORDS PERTAINING TO YOUR ACCOUNT

AMONG THOSE WHO HAVE A CONTRACT

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** **----COMMISSION-----** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	148	69	50	16	3	28	36	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
YES--	106	46	34	11	1	22	25	2
	71.6	66.7	68.0	68.8	33.3	78.6	69.4	66.7
ANNUALLY	40	16	11	5	*	4	14	1
	27.0	23.2	22.0	31.3		14.3	38.9	33.3
SEMI-ANNUALLY	8	5	4	1	*	3	*	*
	5.4	7.2	8.0	6.3		10.7		
OTHER	48	20	15	5	*	13	10	1
	32.4	29.0	30.0	31.3		46.4	27.8	33.3
NO ANSWER	10	5	4	*	1	2	1	*
	6.8	7.2	8.0		33.3	7.1	2.8	
WHO CONDUCTS SUCH AUDIT--								
COMPANY'S INTERNAL AUDITOR	80	38	29	8	1	17	17	2
	54.1	55.1	58.0	50.0	33.3	60.7	47.2	66.7
ADVERTISING DEPARTMENT PERSONNEL	4	3	2	1	*	*	1	*
	2.7	4.3	4.0	6.3			2.8	
PUBLIC ACCOUNTANTS	6	2	1	1	*	*	4	*
	4.1	2.9	2.0	6.3			11.1	
OTHER	1	*	*	*	*	1	*	*
	0.7					3.6		
NO ANSWER	15	3	2	1	*	4	3	*
	10.1	4.3	4.0	6.3		14.3	8.3	
NO	42	23	16	5	2	6	11	1
	28.4	33.3	32.0	31.3	66.7	21.4	30.6	33.3
NO ANSWER	*	*	*	*	*	*	*	*

TABLE 12C

Q17--DOES YOUR COMPANY SEND AUDITORS TO YOUR AGENCY TO EXAMINE THE FINANCIAL RECORDS PERTAINING TO YOUR ACCOUNT

AMONG THOSE WHO DON'T HAVE A CONTRACT

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** TOTAL	**----COMMISSION-----** 15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	15 100.0	10 100.0	8 100.0	1 100.0	1 100.0	2 100.0	3 100.0	*
YES--	6 40.0	3 30.0	3 37.5	*	*	*	3 100.0	*
ANNUALLY	*	*	*	*	*	*	*	*
SEMI-ANNUALLY	1 6.7	*	*	*	*	*	1 33.3	*
OTHER	5 33.3	3 30.0	3 37.5	*	*	*	2 66.7	*
NO ANSWER	*	*	*	*	*	*	*	*
WHO CONDUCTS SUCH AUDIT--								
COMPANY'S INTERNAL AUDITOR	6 40.0	3 30.0	3 37.5	*	*	*	3 100.0	*
ADVERTISING DEPART-MENT PERSONNEL	*	*	*	*	*	*	*	*
PUBLIC ACCOUNTANTS	*	*	*	*	*	*	*	*
OTHER	*	*	*	*	*	*	*	*
NO ANSWER	*	*	*	*	*	*	*	*
NO	8 53.3	6 60.0	5 62.5	*	1 100.0	2 100.0	*	*
NO ANSWER	1 6.7	1 10.0	*	1 100.0	*	*	*	*

TABLE 13

Q18--HOW LONG HAS YOUR CURRENT AGENCY COMPENSATION ARRANGEMENT BEEN IN EFFECT

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** **----COMMISSION-----** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
LESS THAN 1 YEAR	23	9	5	3	1	5	8	*
	13.8	11.2	8.6	16.7	25.0	16.7	20.0	
1-3 YEARS	67	29	18	9	2	14	16	3
	40.1	36.3	31.0	50.0	50.0	46.7	40.0	100.0
4-10 YEARS	32	15	12	2	1	6	7	*
	19.2	18.8	20.7	11.1	25.0	20.0	17.5	
MORE THAN 10 YEARS	39	26	23	3	*	4	7	*
	23.4	32.5	39.7	16.7		13.3	17.5	
NO ANSWER	6	1	*	1	*	1	2	*
	3.6	1.2		5.6		3.3	5.0	

TABLE 14

Q19--HAVE YOU MADE ANY SIGNIFICANT CHANGES IN YOUR COMPENSATION ARRANGEMENTS DURING THE PAST THREE YEARS

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** **----COMMISSION-----** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
YES	64	23	11	11	1	15	16	3
	38.3	28.8	19.0	61.1	25.0	50.0	40.0	100.0
NO	98	56	47	6	3	14	23	*
	58.7	70.0	81.0	33.3	75.0	46.7	57.5	
NO ANSWER	5	1	*	1	*	1	1	*
	3.0	1.2		5.6		3.3	2.5	

TABLE 14A

Q. 19 HAVE YOU MADE ANY SIGNIFICANT CHANGES IN YOUR AGENCY COMPENSATION ARRANGEMENTS DURING THE PAST THREE YEARS?

All responding companies	**167**
	Percent
Yes	38
No	59
No answer	3

IF "YES":

PLEASE INDICATE THE MAJOR REASON FOR IMPLEMENTING THE CHANGE:

All companies answering "Yes"	**64***
	Percent
To reduce the cost of agency service	50
To reduce agency cost	22
To align real agency service needs with service cost	19
To reflect increased billings without increased service needs	8
To reflect economies of scale in agency performance	3
To assure agency profitability	19
To give agency greater incentive to improve performance	9
To make compensation scheme easier to administer	9
Change due to shift to new agency	5
To give agency greater incentive to reduce cost	3
All other	8

*Some respondents gave more than one answer

TABLE 14B & TABLE 14C

Q. 19 HAVE YOU MADE ANY SIGNIFICANT CHANGES IN YOUR AGENCY COMPENSATION ARRANGEMENTS DURING THE PAST THREE YEARS?

All responding companies	167
	Percent
Yes	38
No	59
No answer	3

IF "YES":

HAS THE CHANGE RESULTED IN INCREASED, DECREASED OR NOT SIGNIFICANTLY CHANGED AGENCY COMPENSATION?

All companies answering "Yes"	64
	Percent
Increased agency compensation	22
Decreased agency compensation	47
No significant change in agency compensation	22
No answer	9

IF "YES":

HAS THE CHANGE RESULTED IN IMPROVED, POORER OR UNCHANGED AGENCY PERFORMANCE?

All companies answering "Yes"	64
	Percent
Improved agency performance	33
Poorer agency performance	5
No significant change in agency compensation	41
No answer	21

TABLE 15

Q20--ARE THE FEES YOU PAY TO THE AGENCY

AMONG THOSE IN BASE

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** **----COMMISSION-----** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL ASKED	106	41	29	11	1	15	38	2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
PRIOR ESTIMATE OF THE COST OF AGENCY LABOR, ETC.	53	14	11	3	*	3	32	1
	50.0	34.1	37.9	27.3		20.0	84.2	50.0
A COST PLUS ARRANGEMENT(NO ADVANCE BUDGET ESTIMATE)	6	2	2	*	*	2	1	*
	5.7	4.9	6.9			13.3	2.6	
A FIXED FEE FOR THE PROJECT	13	7	4	3	*	1	1	*
	12.3	17.1	13.8	27.3		6.7	2.6	
OTHER	8	2	2	*	*	1	4	*
	7.5	4.9	6.9			6.7	10.5	
NO ANSWER	26	16	10	5	1	8	*	1
	24.5	39.0	34.5	45.5	100.0	53.3		50.0

TABLE 16

Q21--DOES YOUR AGENCY COMPENSATION AGREEMENT REQUIRE A RECONCILIATION BETWEEN ACTUAL AGENCY COST AND FEES PAID TO ITS AGENCIES

AMONG THOSE IN BASE

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** **----COMMISSION-----** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL ASKED	106	41	29	11	1	15	38	2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
YES	46	15	11	4	*	4	24	*
	43.4	36.6	37.9	36.4		26.7	63.2	
NO	39	12	9	3	*	5	14	2
	36.8	29.3	31.0	27.3		33.3	36.8	100.0
NO ANSWER	21	14	9	4	1	6	*	*
	19.8	34.1	31.0	36.4	100.0	40.0		

TABLE 17

Q22--WHEN CIRCUMSTANCES WARRANT, DO YOU ALLOW FOR THE RENEGOTIATION OF FEES

AMONG THOSE IN BASE

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** **----COMMISSION-----** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL ASKED	106	41	29	11	1	15	38	2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
YES--	74	21	17	4	*	7	38	2
	69.8	51.2	58.6	36.4		46.7	100.0	100.0
ANNUALLY	16	5	5	*	*	*	9	1
	15.1	12.2	17.2				23.7	50.0
SEMI-ANNUALLY	13	1	1	*	*	*	9	*
	12.3	2.4	3.4				23.7	
OTHER	16	6	4	2	*	4	5	1
	15.1	14.6	13.8	18.2		26.7	13.2	50.0
NO ANSWER	29	9	7	2	*	3	15	*
	27.4	22.0	24.1	18.2		20.0	39.5	
NO	8	3	2	1	*	2	*	*
	7.5	7.3	6.9	9.1		13.3		
NO ANSWER	24	17	10	6	1	6	*	*
	22.6	41.5	34.5	54.5	100.0	40.0		

TABLE 18A & 18B

Q23--IF AGENCY HOURLY LABOR RATE ARE A FACTOR IN YOUR ARRANGEMENT , DO AGENCY HOURLY RATES INCLUDE, IN ADDITION TO DIRECT SALARY COST

AMONG THOSE IN BASE

--OVERTIME--

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL ASKED	106	41	29	11	1	15	38	2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
YES	19	7	7	*	*	2	9	1
	17.9	17.1	24.1			13.3	23.7	50.0
NO	32	10	5	5	*	2	16	*
	30.2	24.4	17.2	45.5		13.3	42.1	
DON'T KNOW	14	6	5	1	*	2	5	*
	13.2	14.6	17.2	9.1		13.3	13.2	
NO ANSWER	41	18	12	5	1	9	8	1
	38.7	43.9	41.4	45.5	100.0	60.0	21.1	50.0

AMONG THOSE IN BASE

--EMPLOYEE BENEFITS PROGRAM--

TOTAL ASKED	106	41	29	11	1	15	38	2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
YES	38	12	10	2	*	2	20	1
	35.8	29.3	34.5	18.2		13.3	52.6	50.0
NO	11	5	2	3	*	1	4	*
	10.4	12.2	6.9	27.3		6.7	10.5	
DON'T KNOW	16	6	5	1	*	3	6	*
	15.1	14.6	17.2	9.1		20.0	15.8	
NO ANSWER	41	18	12	5	1	9	8	1
	38.7	43.9	41.4	45.5	100.0	60.0	21.1	50.0

TABLE 18C, 18D & 18E

Q23--IF AGENCY HOURLY LABOR RATE ARE A FACTOR IN YOUR ARRANGEMENT , DO AGENCY HOURLY RATES INCLUDE, IN ADDITION TO DIRECT SALARY COST

AMONG THOSE IN BASE

--PROFIT SHARING OR BONUS POOL ALLOCATION--

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL ASKED	106	41	29	11	1	15	38	2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
YES	22	5	4	1	*	1	14	*
	20.8	12.2	13.8	9.1		6.7	36.8	
NO	19	10	6	4	*	2	6	*
	17.9	24.4	20.7	36.4		13.3	15.8	
DON'T KNOW	24	8	7	1	*	3	10	1
	22.6	19.5	24.1	9.1		20.0	26.3	50.0
NO ANSWER	41	18	12	5	1	9	8	1
	38.7	43.9	41.4	45.5	100.0	60.0	21.1	50.0

AMONG THOSE IN BASE

--EMPLOYEE DEFERRED COMPENSATION--

TOTAL ASKED	106	41	29	11	1	15	38	2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
YES	12	3	3	*	*	*	9	*
	11.3	7.3	10.3				23.7	
NO	21	10	6	4	*	1	7	*
	19.8	24.4	20.7	36.4		6.7	18.4	
DON'T KNOW	30	10	8	2	*	4	13	1
	28.3	24.4	27.6	18.2		26.7	34.2	50.0
NO ANSWER	43	18	12	5	1	10	9	1
	40.6	43.9	41.4	45.5	100.0	66.7	23.7	50.0

AMONG THOSE IN BASE

--NO ANSWER--

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL ASKED	106	41	29	11	1	15	38	2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
NO ANSWER TO ENTIRE QUESTION	41	18	12	5	1	9	8	1
	38.7	43.9	41.4	45.5	100.0	60.0	21.1	50.0

TABLE 19

Q24--WHAT IS AGENCY OVERHEAD AS A PERCENT OF DIRECT LABOR COST

AMONG THOSE IN BASE

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
		----COMMISSION-----						
TOTAL ASKED	106	41	29	11	1	15	38	2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
0	1	1	1	*	*	*	*	*
	0.9	2.4	3.4					
1-50 PERCENT	4	2	2	*	*	*	2	*
	3.8	4.9	6.9				5.3	
51-80 PERCENT	2	*	*	*	*	*	2	*
	1.9						5.3	
81-90 PERCENT	3	1	1	*	*	1	1	*
	2.8	2.4	3.4			6.7	2.6	
91-100 PERCENT	12	6	4	2	*	1	4	*
	11.3	14.6	13.8	18.2		6.7	10.5	
101-110 PERCENT	5	1	*	1	*	*	3	*
	4.7	2.4		9.1			7.9	
111-120 PERCENT	4	*	*	*	*	*	4	*
	3.8						10.5	
121-130 PERCENT	2	*	*	*	*	*	2	*
	1.9						5.3	
131-140 PERCENT	1	1	1	*	*	*	*	*
	0.9	2.4	3.4					
141-150 PERCENT	4	*	*	*	*	*	2	*
	3.8						5.3	
151-160 PERCENT	1	*	*	*	*	*	1	*
	0.9						2.6	
161-170 PERCENT	*	*	*	*	*	*	*	*
171-180 PERCENT	*	*	*	*	*	*	*	*
181 PERCENT AND OVER	2	1	*	1	*	1	*	*
	1.9	2.4		9.1		6.7		
DON'T KNOW	39	14	11	3	*	4	14	2
	36.8	34.1	37.9	27.3		26.7	36.8	100.0
NO ANSWER	26	14	9	4	1	8	3	*
	24.5	34.1	31.0	36.4	100.0	53.3	7.9	

TABLE 20

Q25--HOW IS AGENCY OVERHEAD ALLOCATED TO YOUR ACCOUNT

AMONG THOSE IN BASE

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL ASKED	106	41	29	11	1	15	38	2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
ON THE BASIS OF TOTAL DIRECT SALARY EXPENSE	61	17	13	4	*	6	30	1
	57.5	41.5	44.8	36.4		40.0	78.9	50.0
OTHER	5	2	1	1	*	*	2	*
	4.7	4.9	3.4	9.1			5.3	
DON'T KNOW	12	5	4	1	*	1	6	*
	11.3	12.2	13.8	9.1		6.7	15.8	
NO ANSWER	28	17	11	5	1	8	*	1
	26.4	41.5	37.9	45.5	100.0	53.3		50.0

TABLE 21

Q26--HOW IS AGENCY PROFIT COMPUTED UNDER THESE FEE ARRANGEMENTS

AMONG THOSE IN BASE

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL ASKED	106	41	29	11	1	15	38	2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
PERCENT OF MARKUP COST	32	11	8	3	*	2	16	*
	30.2	26.8	27.6	27.3		13.3	42.1	
PERCENT OF MEDIA BILLINGS	12	5	3	2	*	*	5	1
	11.3	12.2	10.3	18.2			13.2	50.0
OTHER	11	2	1	1	*	2	4	*
	10.4	4.9	3.4	9.1		13.3	10.5	
NO ANSWER	51	23	17	5	1	11	13	1
	48.1	56.1	58.6	45.5	100.0	73.3	34.2	50.0

TABLE 22A

Q27--PLEASE ESTIMATE, IF YOU CAN, THE PROPORTION OF AGENCY REVENUE FROM YOUR ACCOUNT THAT COMES FROM THE FOLLOWING SOURCES

--DIRECT LABOR COST--

AMONG THOSE IN BASE

	TOTAL SAMPLE	**-FIXED PERCENTAGE--COMMISSION----** TOTAL	15 PRCNT	OTHER PRCNT	**----- NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	106 100.0	41 100.0	29 100.0	11 100.0	1 100.0	15 100.0	38 100.0	2 100.0
0	2 1.9	1 2.4	1 3.4	*	*	*	*	*
1-4	*	*	*	*	*	*	*	*
5	*	*	*	*	*	*	*	*
6-9	*	*	*	*	*	*	*	*
10	1 0.9	*	*	*	*	*	1 2.6	*
11-19	*	*	*	*	*	*	*	*
20	*	*	*	*	*	*	*	*
21-49	22 20.8	3 7.3	2 6.9	1 9.1	*	1 6.7	16 42.1	*
50	4 3.8	1 2.4	1 3.4	*	*	*	3 7.9	*
51-59	1 0.9	*	*	*	*	*	1 2.6	*
60-70	*	*	*	*	*	*	*	*
71-79	1 0.9	1 2.4	*	1 9.1	*	*	*	*
80	1 0.9	*	*	*	*	*	*	*
81-89	*	*	*	*	*	*	*	*
90	*	*	*	*	*	*	*	*
91-99	*	*	*	*	*	*	*	*
100	1 0.9	1 2.4	1 3.4	*	*	*	*	*
NO ANSWER	73 68.9	34 82.9	24 82.8	9 81.8	1 100.0	14 93.3	17 44.7	2 100.0
MEAN	40.91	49.86	45.80	60.00		36.00	38.81	

TABLE 22B

Q27--PLEASE ESTIMATE, IF YOU CAN, THE PROPORTION OF AGENCY REVENUE FROM YOUR ACCOUNT THAT COMES FROM THE FOLLOWING SOURCES

AMONG THOSE IN BASE

--ALLOCATED OVERHEAD--

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** **----COMMISSION-----** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL ASKED	106 100.0	41 100.0	29 100.0	11 100.0	1 100.0	15 100.0	38 100.0	2 100.0
0	4 3.8	2 4.9	2 6.9	*	*	*	1 2.6	*
1-10	*	*	*	*	*	*	*	*
11-19	1 0.9	1 2.4	*	1 9.1	*	*	*	*
20	1 0.9	*	*	*	*	*	*	*
21-29	1 0.9	*	*	*	*	*	1 2.6	*
30	1 0.9	*	*	*	*	*	1 2.6	*
31-39	2 1.9	1 2.4	1 3.4	*	*	*	1 2.6	*
40	10 9.4	2 4.9	2 6.9	*	*	*	7 18.4	*
41-44	1 0.9	*	*	*	*	*	1 2.6	*
45	2 1.9	1 2.4	*	1 9.1	*	*	1 2.6	*
46-49	3 2.8	*	*	*	*	1 6.7	2 5.3	*
50	2 1.9	*	*	*	*	*	2 5.3	*
51-59	4 3.8	*	*	*	*	*	4 10.5	*
60	1 0.9	*	*	*	*	*	*	*
61-69	*	*	*	*	*	*	*	*
NO ANSWER	73 68.9	34 82.9	24 82.8	9 81.8	1 100.0	14 93.3	17 44.7	2 100.0
MEAN	37.12	25.57	23.80	30.00		47.00	41.86	

TABLE 22C

Q27--PLEASE ESTIMATE, IF YOU CAN, THE PROPORTION OF AGENCY REVENUE FROM YOUR ACCOUNT THAT COMES FROM THE FOLLOWING SOURCES

AMONG THOSE IN BASE

--PROFIT--

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** **----COMMISSION-----** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL ASKED	106 100.0	41 100.0	29 100.0	11 100.0	1 100.0	15 100.0	38 100.0	2 100.0
0	5 4.7	1 2.4	1 3.4	*	*	*	3 7.9	*
1-4	*	*	*	*	*	*	*	*
5	*	*	*	*	*	*	*	*
6-9	1 0.9	1 2.4	*	1 9.1	*	*	*	*
10	5 4.7	2 4.9	1 3.4	1 9.1	*	*	2 5.3	*
11-14	*	*	*	*	*	*	*	*
15	2 1.9	*	*	*	*	*	2 5.3	*
16-19	2 1.9	*	*	*	*	1 6.7	1 2.6	*
20	14 13.2	2 4.9	2 6.9	*	*	*	10 26.3	*
21-24	4 3.8	1 2.4	1 3.4	*	*	*	3 7.9	*
25	*	*	*	*	*	*	*	*
26	*	*	*	*	*	*	*	*
27	*	*	*	*	*	*	*	*
28	*	*	*	*	*	*	*	*
29	*	*	*	*	*	*	*	*
NO ANSWER	73 68.9	34 82.9	24 82.8	9 81.8	1 100.0	14 93.3	17 44.7	2 100.0
MEAN	14.88	13.00	14.40	9.50		17.00	15.86	

TABLE 22D

Q27--PLEASE ESTIMATE, IF YOU CAN, THE PROPORTION OF AGENCY REVENUE FROM YOUR ACCOUNT THAT COMES FROM THE FOLLOWING SOURCES

AMONG THOSE IN BASE

--DON'T KNOW--

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** **----COMMISSION-----** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	106	41	29	11	1	15	38	2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
DON'T KNOW AGENCY REVENUE	43	17	13	4	*	6	15	1
	40.6	41.5	44.8	36.4		40.0	39.5	50.0

TABLE 22E

Q27--PLEASE ESTIMATE, IF YOU CAN, THE PROPORTION OF AGENCY REVENUE FROM YOUR ACCOUNT THAT COMES FROM THE FOLLOWING SOURCES

AMONG THOSE IN BASE

--NO ANSWER--

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	106	41	29	11	1	15	38	2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
NO ANSWER TO ENTIRE QUESTION	30	17	11	5	1	8	2	1
	28.3	41.5	37.9	45.5	100.0	53.3	5.3	50.0

TABLE 23A & 23B

Q28--PLEASE INDICATE FOR EACH CATEGORY WHETHER THE EXPENSE IS CHARGED AS DIRECT LABOR COST TO YOUR ACCOUNT OR WHETHER IT IS CONSIDERED AN INDIRECT COST AND ALLOCATED TO AGENCY OVERHEAD---DIRECT LABOR COST OF

AMONG THOSE IN BASE

--ACCOUNT PERSONNEL--

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** **----COMMISSION-----** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL ASKED	106 100.0	41 100.0	29 100.0	11 100.0	1 100.0	15 100.0	38 100.0	2 100.0
BILLED AS A DIRECT CHARGE	68 64.2	23 56.1	13 44.8	9 81.8	1 100.0	6 40.0	31 81.6	1 50.0
ABSORBED IN ALLOCATED OVERHEAD	17 16.0	7 17.1	5 17.2	2 18.2	*	5 33.3	3 7.9	*
DON'T KNOW	4 3.8	3 7.3	3 10.3	*	*	*	1 2.6	*
NO ANSWER	17 16.0	8 19.5	8 27.6	*	*	4 26.7	3 7.9	1 50.0

AMONG THOSE IN BASE

--CREATIVE PERSONNEL--

TOTAL ASKED	106 100.0	41 100.0	29 100.0	11 100.0	1 100.0	15 100.0	38 100.0	2 100.0
BILLED AS A DIRECT CHARGE	72 67.9	26 63.4	16 55.2	9 81.8	1 100.0	6 40.0	31 81.6	1 50.0
ABSORBED IN ALLOCATED OVERHEAD	13 12.3	4 9.8	2 6.9	2 18.2	*	5 33.3	3 7.9	*
DON'T KNOW	4 3.8	3 7.3	3 10.3	*	*	*	1 2.6	*
NO ANSWER	17 16.0	8 19.5	8 27.6	*	*	4 26.7	3 7.9	1 50.0

TABLE 23C & 23D

Q28--PLEASE INDICATE FOR EACH CATEGORY WHETHER THE EXPENSE IS CHARGED AS DIRECT LABOR COST TO YOUR ACCOUNT OR WHETHER IT IS CONSIDERED AN INDIRECT COST AND ALLOCATED TO AGENCY OVERHEAD---DIRECT LABOR COST OF

AMONG THOSE IN BASE

--MEDIA PERSONNEL--

	TOTAL SAMPLE	**-FIXED PERCENTAGE--**COMMISSION----- TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL ASKED	106	41	29	11	1	15	38	2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
BILLED AS A DIRECT CHARGE	67	25	15	9	1	6	28	1
	63.2	61 0	51.7	81.8	100.0	40.0	73.7	50.0
ABSORBED IN ALLOCATED OVERHEAD	13	5	3	2	*	4	3	*
	12.3	12.2	10.3	18.2		26.7	7.9	
DON'T KNOW	4	3	3	*	*	*	1	*
	3.8	7.3	10.3				2.6	
NO ANSWER	22	8	8	*	*	5	6	1
	20.8	19.5	27.6			33.3	15.8	50.0

AMONG THOSE IN BASE

--RESEARCH PERSONNEL--

TOTAL ASKED	106	41	29	11	1	15	38	2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
BILLED AS A DIRECT CHARGE	64	25	14	10	1	3	27	1
	60.4	61.0	48.3	90.9	100.0	20.0	71.1	50.0
ABSORBED IN ALLOCATED OVERHEAD	12	4	3	1	*	5	3	*
	11.3	9.8	10.3	9.1		33.3	7.9	
DON'T KNOW	5	3	3	*	*	1	1	*
	4.7	7.3	10.3			6.7	2.6	
NO ANSWER	25	9	9	*	*	6	7	1
	23.6	22.0	31.0			40.0	18.4	50.0

TABLE 23E & 23F

Q28--PLEASE INDICATE FOR EACH CATEGORY WHETHER THE EXPENSE IS CHARGED AS DIRECT LABOR COST TO YOUR ACCOUNT OR WHETHER IT IS CONSIDERED AN INDIRECT COST AND ALLOCATED TO AGENCY OVERHEAD---DIRECT LABOR COST OF

AMONG THOSE IN BASE

--TRAFFIC PERSONNEL--

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** **----COMMISSION-----** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL ASKED	106	41	29	11	1	15	38	2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
BILLED AS A DIRECT CHARGE	52	19	12	7	*	3	24	1
	49.1	46.3	41.4	63.6		20.0	63.2	50.0
ABSORBED IN ALLOCATED OVERHEAD	26	10	6	4	*	6	8	*
	24.5	24.4	20.7	36.4		40.0	21.1	
DON'T KNOW	9	4	3	*	1	1	3	*
	8.5	9.8	10.3		100.0	6.7	7.9	
NO ANSWER	19	8	8	*	*	5	3	1
	17.9	19.5	27.6			33.3	7.9	50.0

AMONG THOSE IN BASE

--PRODUCTION PERSONNEL--

TOTAL ASKED	106	41	29	11	1	15	38	2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
BILLED AS A DIRECT CHARGE	65	25	17	7	1	4	28	1
	61.3	61.0	58.6	63.6	100.0	26.7	73.7	50.0
ABSORBED IN ALLOCATED OVERHEAD	16	5	1	4	*	6	3	*
	15.1	12.2	3.4	36.4		40.0	7.9	
DON'T KNOW	8	3	3	*	*	1	4	*
	7.5	7.3	10.3			6.7	10.5	
NO ANSWER	17	8	8	*	*	4	3	1
	16.0	19.5	27.6			26.7	7.9	50.0

TABLE 23G & 23H

Q28--PLEASE INDICATE FOR EACH CATEGORY WHETHER THE EXPENSE IS CHARGED AS DIRECT LABOR COST TO YOUR ACCOUNT OR WHETHER IT IS CONSIDERED AN INDIRECT COST AND ALLOCATED TO AGENCY OVERHEAD---DIRECT LABOR COST OF

AMONG THOSE IN BASE

--CLIENT ACCOUNTING--

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** TOTAL	**----COMMISSION-----** 15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL ASKED	106	41	29	11	1	15	38	2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
BILLED AS A DIRECT CHARGE	22	8	5	3	*	2	9	1
	20.8	19.5	17.2	27.3		13.3	23.7	50.0
ABSORBED IN ALLOCATED OVERHEAD	57	20	12	8	*	7	24	*
	53.8	48.8	41.4	72.7		46.7	63.2	
DON'T KNOW	8	5	4	*	1	1	2	*
	7.5	12.2	13.8		100.0	6.7	5.3	
NO ANSWER	19	8	8	*	*	5	3	1
	17.9	19.5	27.6			33.3	7.9	50.0

AMONG THOSE IN BASE

--DIRECT SECRETARIAL/CLERICAL SUPPORT TO ACCOUNT GROUP--

TOTAL ASKED	106	41	29	11	1	15	38	2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
BILLED AS A DIRECT CHARGE	32	11	7	4	*	1	18	1
	30.2	26.8	24.1	36.4		6.7	47.4	50.0
ABSORBED IN ALLOCATED OVERHEAD	47	17	10	7	*	9	14	*
	44.3	41.5	34.5	63.6		60.0	36.8	
DON'T KNOW	10	5	4	*	1	1	3	*
	9.4	12.2	13.8		100.0	6.7	7.9	
NO ANSWER	17	8	8	*	*	4	3	1
	16.0	19.5	27.6			26.7	7.9	50.0

TABLE 23I & 23J

Q28--PLEASE INDICATE FOR EACH CATEGORY WHETHER THE EXPENSE IS CHARGED AS DIRECT LABOR COST TO YOUR ACCOUNT OR WHETHER IT IS CONSIDERED AN INDIRECT COST AND ALLOCATED TO AGENCY OVERHEAD---DIRECT LABOR COST OF

AMONG THOSE IN BASE

--GENERAL EXCUTIVE AND ADMINISTRATIVE--

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** **----COMMISSION-----** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-- TEM	OTHER
TOTAL ASKED	106	41	29	11	1	15	38	2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
BILLED AS A DIRECT CHARGE	13	6	3	2	1	1	4	1
	12.3	14.6	10.3	18.2	100.0	6.7	10.5	50.0
ABSORBED IN ALLOCATED OVERHEAD	67	23	14	9	*	9	27	*
	63.2	56.1	48.3	81.8		60.0	71.1	
DON'T KNOW	9	4	4	*	*	1	4	*
	8.5	9.8	13.8			6.7	10.5	
NO ANSWER	17	8	8	*	*	4	3	1
	16.0	19.5	27.6			26.7	7.9	50.0

AMONG THOSE IN BASE

--OTHER SUPPORT INDIVIDUALS AND DEPARTMENTS--

TOTAL ASKED	106	41	29	11	1	15	38	2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
BILLED AS A DIRECT CHARGE	19	7	5	2	*	1	9	1
	17.9	17.1	17.2	18.2		6.7	23.7	50.0
ABSORBED IN ALLOCATED OVERHEAD	54	18	10	8	*	9	20	*
	50.9	43.9	34.5	72.7		60.0	52.6	
DON'T KNOW	13	6	4	1	1	1	5	*
	12.3	14.6	13.8	9.1	100.0	6.7	13.2	
NO ANSWER	20	10	10	*	*	4	4	1
	18.9	24.4	34.5			26.7	10.5	50.0

TABLE 24

Q5--HOW MANY ADVERTISING AGENCIES ARE COVERED BY THIS COMPENSATION AGREEMENT

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER
TOTAL RESPONDENTS	167	80	58	18	4	30	40	3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1	98	46	36	7	3	16	26	1
	58.7	57.5	62.1	38.9	75.0	53.3	65.0	33.3
2	29	14	10	3	1	6	7	1
	17.4	17.5	17.2	16.7	25.0	20.0	17.5	33.3
3	10	6	5	1	*	3	*	*
	6.0	7.5	8.6	5.6		10.0		
4	10	5	2	3	*	1	3	*
	6.0	6.3	3.4	16.7		3.3	7.5	
5	4	1	*	1	*	2	1	*
	2.4	1.2		5.6		6.7	2.5	
6 OR MORE	9	5	2	3	*	1	3	*
	5.4	6.3	3.4	16.7		3.3	7.5	
NO ANSWER	7	3	3	*	*	1	*	1
	4.2	3.8	5.2			3.3		33.3

TABLE 25

Q5--HOW MANY ADVERTISING AGENCIES ARE COVERED BY THIS COMPENSATION AGREEMENT

	TOTAL SAMPLE	**ADVERTISING EXPENDITURE GROUPS-** $0-4 MIL	$5-9 MIL	$10 TO 19 MIL	$20 TO 49 MIL	$50 TO 99 MIL	OVER $100 MIL	**------BROAD CATEGORY GROUPS----** PACK-AGED GOODS	SER-VICE	CONSU-MER DUR-ABLE	IN-DUS-TRIAL	COR-PO-RATE IMAGE	OTHER
TOTAL RESPONDENTS	167	27	25	24	47	21	23	69	19	16	15	24	20
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1	98	22	20	21	26	6	3	22	17	12	10	20	14
	58.7	81.5	80.0	87.5	55.3	28.6	13.0	31.9	89.5	75.0	66.7	83.3	70.0
2	29	3	3	1	15	4	3	19	*	1	3	2	4
	17.4	11.1	12.0	4.2	31.9	19.0	13.0	27.5		6.3	20.0	8.3	20.0
3	10	*	1	*	2	4	3	7	1	1	1	*	*
	6.0		4.0		4.3	19.0	13.0	10.1	5.3	6.3	6.7		
4	10	*	*	*	1	6	3	9	*	*	*	*	*
	6.0				2.1	28.6	13.0	13.0					
5	4	*	*	*	*	*	4	2	*	1	*	1	*
	2.4						17.4	2.9		6.3		4.2	
6 OR MORE	9	1	1	1	1	1	4	6	*	*	1	1	1
	5.4	3.7	4.0	4.2	2.1	4.8	17.4	8.7			6.7	4.2	5.0
NO ANSWER	7	1	*	1	2	*	3	4	1	1	*	*	1
	4.2	3.7		4.2	4.3		13.0	5.8	5.3	6.3			5.0

TABLE 26

Q4--CATEGORY CLASSIFICATION OF MOST HEAVILY ADVERTISED PRODUCT OR SERVICE COVERED BY AGENCY COMENSATION ARRANGEMENT

	TOTAL SAMPLE	**-FIXED PERCENTAGE--** **----COMMISSION-----** TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	NOT FIXED PRCNT SLDNG SCALE	FEE BASED SYS-TEM	OTHER	**ADVERTISING EXPENDITURE GROUPS-** $0-4 MIL	$5-9 MIL	$10 TO 19 MIL	$20 TO 49 MIL	$50 TO 99 MIL	OVER $100 MIL	**------BROAD CATEGORY GROUPS----** PACK-AGED GOODS	SER-VICE	CONSU-MER DUR-ABLE	IN-DUS-TRIAL	COR-PO-RATE IMAGE	OTHER
TOTAL RESPONDENTS	167	80	58	18	4	30	40	3	27	25	24	47	21	23	69	19	16	15	24	20
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
PACKAGED GOODS	69	29	18	10	1	15	18	2	3	9	10	19	14	14	69	*	*	*	*	*
	41.3	36.3	31.0	55.6	25.0	50.0	45.0	66.7	11.1	36.0	41.7	40.4	66.7	60.9	100.0					
SERVICE	19	12	10	2	*	2	3	*	2	2	2	9	3	1	*	19	*	*	*	*
	11.4	15.0	17.2	11.1		6.7	7.5		7.4	8.0	8.3	19.1	14.3	4.3		100.0				
CONSUMER DURABLE	16	9	5	4	*	4	3	*	3	3	2	5	*	3	*	*	16	*	*	*
	9.6	11.2	8.6	22.2		13.3	7.5		11.1	12.0	8.3	10.6		13.0			100.0			
INDUSTRIAL	15	8	7	*	1	*	6	*	8	4	2	*	*	1	*	*	*	15	*	*
	9.0	10.0	12.1		25.0		15.0		29.6	16.0	8.3			4.3				100.0		
CORPORATE IMAGE	24	12	10	1	1	3	5	*	5	5	6	5	2	1	*	*	*	*	24	*
	14.4	15.0	17.2	5.6	25.0	10.0	12.5		18.5	20.0	25.0	10.6	9.5	4.3					100.0	
OTHER	20	9	7	1	1	6	3	1	6	1	1	8	1	3	*	*	*	*	*	20
	12.0	11.2	12.1	5.6	25.0	20.0	7.5	33.3	22.2	4.0	4.2	17.0	4.8	13.0						100.0
NO ANSWER	4	1	1	*	*	*	2	*	*	1	1	1	1	*	*	*	*	*	*	*
	2.4	1.2	1.7				5.0			4.0	4.2	2.1	4.8							

TABLE 27

Q3--APPROXIMATE THE 1988 DOMESTIC ADVERTISING EXPENDITURES FOR THE PRODUCT, SERVICE OR CORPORATE ADVERTISING PROGRAM COVERED BY THE AGENCY COMPENSATION ARRANGEMENT ABOUT WHICH YOU ARE REPORTING

		-FIXED PERCENTAGE--				NOT FIXED	FEE		**ADVERTISING EXPENDITURE GROUPS-**						**------BROAD CATEGORY GROUPS----**					
		----COMMISSION-----															CONSU			
	TOTAL SAMPLE	TOTAL	15 PRCNT	OTHER PRCNT	NO ANSWR	PRCNT SLDNG SCALE	BASED SYS-TEM	OTHER	$0-4 MIL	$5-9 MIL	$10 TO 19 MIL	$20 TO 49 MIL	$50 TO 99 MIL	OVER $100 MIL	PACK-AGED GOODS	SER-VICE	-MER DUR-ABLE	IN-DUS-TRIAL	COR-PO-RATE IMAGE	OTHER
TOTAL RESPONDENTS	167	80	58	18	4	30	40	3	27	25	24	47	21	23	69	19	16	15	24	20
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
$0-$4 MILLION	27	15	11	1	3	*	9	1	27	*	*	*	*	*	3	2	3	8	5	6
	16.2	18.8	19.0	5.6	75.0		22.5	33.3	100.0						4.3	10.5	18.8	53.3	20.8	30.0
$5-$9 MILLION	25	14	11	3	*	1	9	*	*	25	*	*	*	*	9	2	3	4	5	1
	15.0	17.5	19.0	16.7		3.3	22.5			100.0					13.0	10.5	18.8	26.7	20.8	5.0
$10-$19 MILLION	24	7	5	2	*	2	10	1	*	*	24	*	*	*	10	2	2	2	6	1
	14.4	8.8	8.6	11.1		6.7	25.0	33.3			100.0				14.5	10.5	12.5	13.3	25.0	5.0
$20-$49 MILLION	47	20	18	1	1	16	8	1	*	*	*	47	*	*	19	9	5	*	5	8
	28.1	25.0	31.0	5.6	25.0	53.3	20.0	33.3				100.0			27.5	47.4	31.3		20.8	40.0
$50-$99 MILLION	21	12	6	6	*	5	2	*	*	*	*	*	21	*	14	3	*	*	2	1
	12.6	15.0	10.3	33.3		16.7	5.0						100.0		20.3	15.8			8.3	5.0
OVER $100 MILLION	23	12	7	5	*	6	2	*	*	*	*	*	*	23	14	1	3	1	1	3
	13.8	15.0	12.1	27.8		20.0	5.0							100.0	20.3	5.3	18.8	6.7	4.2	15.0
NO ANSWER	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*

TABLE 28A

Q. 29 WHAT GENERAL OR SPECIFIC CONCERNS DO YOU HAVE ABOUT CURRENT AGENCY COMPENSATION PRACTICES?

All responding companies	**167**
	Percent
Have a concern	51
Do not have a concern, no answer	49

TABLE 28B

Q. 29 WHAT GENERAL OR SPECIFIC CONCERNS DO YOU HAVE ABOUT CURRENT AGENCY COMPENSATION PRACTICES?

	Total	Straight 15%	Reduced Commission, Fee
All responding companies	167	58	81
	%	%	%
Have a concern	51	31	61
Do not have a concern, no answer	49	69	39

Note: 21 companies had "other" compensation systems or did not respond.

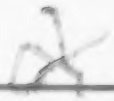
TABLE 28C

Q. 29 WHAT GENERAL OR SPECIFIC CONCERNS DO YOU HAVE ABOUT CURRENT AGENCY COMPENSATION PRACTICES?

All companies expressing a concern	**85***
	Percent
Concerns relating to agency incentive	28
General concerns about agency compensation	26
Concerns relating to the commission system	21
Concerns relating to the fee system	15
Difficulty of evaluating overall fairness of agency compensation	7
Compensation systems diminish quality of agency work	6
All other single mentions	18

*Some respondents gave more than one answer

APPENDIX B: SURVEY QUESTIONNAIRE



1988 A.N.A. Survey of Current Advertiser Practices in Compensating Advertising Agencies

– CONFIDENTIAL –

Completed questionnaire should be returned to
A.N.A.
Member Services Department
155 East 44th Street
New York, NY 10017
(212) 697-5950

INTRODUCTION:
This *confidential questionnaire* should be used to describe a single advertising agency compensation arrangement that is in use in your company. If more than one compensation arrangement exists, a separate questionnaire should be used to describe each of these. **Please note that all responses will be kept totally confidential. Respondent identification will be coded prior to the tabulation and analysis.**

1. Your name _____

   Title _____ Phone ( ) _____

   Company _____ Division _____

   Address _____

   City _____ State _____ Zip _____

2. In completing the questionnaire, are you reporting on an agency compensation arrangement of:

   _____ the company as a whole OR _____ a part of the company? If so, please indicate which _____ (i.e., division, affiliate, product group, etc.).

   NOTE: Answers to the following questions should apply only to the reporting basis checked above.

3. Approximate the 1988 domestic advertising expenditures for the product, service or corporate advertising program or programs covered by the agency compensation arrangement *about which you are reporting.*

   $ 0 to $ 4 million _____ $20 to $49 million _____

   $ 5 to $ 9 million _____ $50 to $99 million _____

   $10 to $19 million _____ Over $100 million _____

4. Category classification of most heavily advertised product or service covered by your agency compensation arrangement:

   _____ Packaged goods _____ Industrial

   _____ Service _____ Corporate image

   _____ Consumer durable _____ Other (specify) _____

5. How many advertising agencies are covered by this compensation agreement? _____

6. Which of the following broadly describes the compensation agreement about which you are reporting?

   A. _____ Fixed percentage commission of media billings supplemented by a markup on production cost and special charges, as appropriate.

      Media Commission = _____ % Production Markup = _____ %

   B. _____ Sliding Scale (variable) percentage commission on media billings.

      Media Commission = _____ % on billings up to $_____ million
      Media Commission = _____ % on billings up to $_____ million
      Media Commission = _____ % on billings up to $_____ million
      Production Markup _____ %

C. _____ Answer if A or B above are checked. In addition to commissioned work, does your agency do project work on a fee basis? Yes_____ No_____

If Yes, please describe the fee structure that you use, *for these projects only:*

_____

_____

_____

D. _____ Fee-based system for entire advertising account.

Is the fee based on direct agency labor hours plus agency overhead, plus agency profit? Yes_____ No_____

If No, please describe how the fee is calculated.

_____

_____

E. _____ Other (Please describe)_____

_____

_____

7. By checking the appropriate boxes, please identify all the services you receive from your agency and indicate whether they are included in the basic compensation arrangement or are paid by additional fees not specified in the basic compensation agreement.

Service	Service Is Not Needed	Covered by Compensation Agreements	Additional Negotiated Payments	Not Purchased from Agency		Other Comments
				Provided In-House	Other Outside Service	
Creative Service						
Acct. Services/Mktg. Counsel & Analysis						
Media Planning						
Media Implementation						
Broadcast Program Development						
Advertising Production						
Sales Promotion						
Public Relations						
Direct Response Advertising						
Yellow Pages Advertising						
New Product Development						
Marketing and Advertising Research						

2

8. There are several ways for agencies to handle out-of-pocket costs related to day-to-day operations: they may be billed to clients with or without markup, or they may be absorbed by the agency. How are these expenses handled under your arrangements? Please check the appropriate boxes.

	Billed to Advertiser Vendor Charge No Markup	Billed to Advertiser Vendor Charge Plus Markup	Not Billed to Advertiser Absorbed by Agency	Don't Know
Agency travel when requested or expected by client				
Client entertainment				
Media measurement services				
Unauthorized work initiated by agency				
Free-lance and professional help				
Out-of-pocket research costs				
State & local taxes				
Bad debt expense				

9. Do you adjust compensation based on an "incentive" arrangement (e.g., minimum profit guarantees for agency, shared productivity savings, profit sharing, etc.)? Yes_____ No_____

If Yes, please describe. _____

_____

_____

_____

10. Does your compensation system have any other features that make it unique? Yes_____ No_____

If Yes, please describe those features: _____

_____

_____

11. Does your advertising agency review financial information with you concerning the profitability of your account?

a._____Yes If Yes, _____By brand _____By operating unit _____For total account only

b._____No If No, have you asked for this information? Yes_____ No_____

c._____We have more than one agency: some review such data with us and some do not.

12. Please estimate, if you can, the proportion of agency revenue from your account that comes from the following sources:

Percent of agency revenue from:

_____Fees

_____Media commissions

_____Markups on production and other supplier bills

_____Fee income from project work or work not related to media commissions

_____Don't know

13. Do you periodically calculate the difference paid between your compensation arrangement and a straight 15% media commission? Yes_____ No_____

If Yes, is your agency compensation higher _____, lower _____, or about equal _____ to what it would have been under the straight 15% media commission?

14. Does your compensation arrangement cover international requirements?
Yes_____ No_____

If Yes, please describe _____

_____

_____

15. Who is responsible for managing the agency compensation arrangement? (More than one answer is acceptable)

_____ Line marketing _____ Corporate Marketing/Advertising

_____ Finance Other (Please specify) _____

16. Do you have a formal contract or memorandum of agreement with the advertising agency or agencies covered under the compensation agreement you have described above? Yes_____ No_____

If Yes, what is the term of that agreement? _____

_____

17. Does your company send auditors to your agency (or agencies) to examine the financial records pertaining to your account? Yes_____ No_____

If Yes, please check one:

_____ Annually _____ Semi-annually _____ Other (Please specify): _____

If Yes, who conducts such audits?

_____ Company's internal auditors _____ Public accountants

_____ Advertising department personnel _____ Other (Please describe) _____

18. How long has your current agency compensation arrangement been in effect?

_____ Less than one year _____ 1-3 years _____ 4-10 years _____ More than 10 years

19. Have you made any significant changes in your agency compensation arrangements during the past three years? Yes_____ No_____

If Yes, please describe the prior arrangement and how it was changed: _____

_____

_____

Please indicate the major reason for implementing the change: _____

_____

_____

Has this change resulted in:

_____ Increased agency compensation

_____ Decreased agency compensation

_____ No significant change in agency compensation

Has the change resulted in:

_____ Improved agency performance

_____ Poorer agency performance

_____ No change in agency performance

NOTE: Please be sure to answer question 29.

4

QUESTIONS 20-27 CONCERN THE WAY THAT AGENCY FEES ARE CALCULATED
PLEASE ANSWER THESE QUESTIONS IF:

Your total agency compensation is based on a fee (Option "D" in Question #6)

Or, your total agency compensation is commission-based, but in addition the agency receives other fees for special projects or services. (Option "C" in Question #6)

20. Are the fees you pay to the agency:

_____ Based on a prior estimate of the cost of agency labor that will be required, plus agency overhead, plus agency profit?

_____ A cost-plus arrangement (no advance budget estimate: agency costs billed as accumulated, plus overhead, plus profit)?

_____ A fixed fee for the project (flat dollar estimate or bill without detail)?

_____ Other (Please describe) _____

_____

_____

21. Does your agency compensation agreement require a reconciliation between actual agency cost and fees paid to the agencies?

Yes_____ No_____

22. When circumstances warrant, do you allow for the renegotiation of these fees?

Yes_____ No_____

If Yes,_____ Annually _____ Semi-annually Other (Please specify) _____

23. If agency hourly labor rates are a factor in your arrangement, do agency hourly rates include, in addition to direct salary cost:

Overtime?	Yes_____	No_____	Don't know_____
Employee benefits programs?	Yes_____	No_____	Don't know_____
Profit sharing or bonus pool allocation?	Yes_____	No_____	Don't know_____
Employee deferred compensation?	Yes_____	No_____	Don't know_____

24. What is agency overhead as a percent of direct labor cost?

_____% _____Don't know

25. How is agency overhead allocated to your account?

_____ On the basis of total direct salary expense

_____ Other (Please specify) _____

_____

_____ Don't know

26. How is agency profit computed under these fee arrangements?

_____% Markup of costs _____% of media billings

_____ Other (Please describe) _____

_____

27. Please estimate, if you can, the proportion of agency revenue from your account that comes from the following sources:

Percent of agency revenue that comes from:

_____ Direct labor cost _____ Profit

_____ Allocated overhead _____ Don't know

5

28. Please indicate for each category whether the expense is charged as direct labor cost to your account, or whether it is considered an indirect cost and allocated to agency overhead.

Direct Labor Cost of	Billed as a Direct Charge	Absorbed in Allocated Overhead	Don't Know
Account personnel			
Creative			
Media			
Research			
Traffic			
Production			
Client accounting			
Direct secretarial/clerical support to account group			
General executive and administrative			
Other support individuals and departments			

One Final Question:

29. What general or specific concerns do you have about current agency compensation practices?

_____

_____

_____

_____

_____

6

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